

**BOARDS OF DIRECTORS MEETINGS
(U.S. Companies)**

Wednesday, April 10, 2013

AGENDA

1. Interim Decisions
 - None
2. Pending Decisions
 - A. Targiniq® - Confirmation as the US Trademark for Targin®
(5 Minutes) (U.S. - 3 through U.S. - 5)
 - B. Infinity Shares **(5 Minutes) (U.S. - 7 through U.S. - 8)**
3. FDA Decision on Generics to Non-AD OxyContin® – Contingency
(30 Minutes)
4. **Redacted**
5. - MS Contin® **(30 Minutes) (U.S. - 10 through U.S. - 92)**
6. 1Q 2013 Compliance Report **(15 Minutes) (U.S. - 94 through U.S. - 107)**
7. Other

CPAM: 5398014.2

U.S. - 1

PUBLICLY FILED PER STIPULATION [ECF 2140]

TAB 2A

U.S. - 2

PROPOSED DECISION

March __, 2013

Targiniq® - Confirmation as the US Trademark for Targin®

It is proposed that Targiniq® be confirmed as the US Trademark for Targin®.

(Decision of the Board of Directors of Purdue Pharma Inc., as the General Partner of
Purdue Pharma L.P.)

CPAM: 5358552.1

U.S. - 3

Baker, Stuart D.

From: Stewart, John H. (US)
Sent: Friday, March 01, 2013 11:37 AM
To: Baker, Stuart D.; Boer, Peter; Costa, Paulo; Judy Lewent; Pickett, Cecil; Sackler, Beverly; Sackler, Dame Theresa; Sackler, David; Sackler, Dr Kathe; Sackler, Dr Raymond R; Sackler, Dr Richard; Sackler, Jonathan; Sackler, Mortimer D.A.; Snyderman, Ralph
Cc: Cadet, Ronald; Gasdia, Russell; Landau, Dr. Craig; Mallin, William; Stiles, Gary
Subject: TARGINIQ is the Recommended US Trademark for ONU (Targin)

Below is an email from Ron Cadet, our OxyContin Brand Manager who also on the ONU Development Team, which outlines the rationale for selection of Targiniq as the US brand name for the product – which Russ and I support. The choice of Targiniq culminated out of the results of a detailed research survey of 12 “finalist” names - involving 75 physicians, 75 pharmacists and 100 pain patients.

The original hope was to be able to use Targin as the US trademark, but as noted below – that name was rejected by the Patent and Trademark Office. In order to maintain brand international brand awareness/continuity, the Targin-like marks of Targinact and Targiniq were included in the research – along with Targin itself for comparative purposes. The research evaluates each name on two primary parameters, likelihood of regulatory agency acceptance (freedom from brand confusion, inherent promotional claims etc.) and marketing criteria (first impressions, attributes, favorite name, overall choice, etc.). Due to the importance for a trademark to be acceptable to the FDA, somewhat greater priority is given to performance on the regulatory factors – but not overwhelmingly so.

In the charts within Ron’s email below, you will see that the top three marks in terms of marketing performance were Targinact, Targin and Targiniq, respectively. However, on the regulatory criteria, the order among the three was just the opposite. As such, and knowing that Targin isn’t available – the choice is Targiniq, and I have advised Ron and Russ to proceed with Targiniq – with the expectation that it will be accepted by the FDA. If it is not, we will undertake additional analyses/discussions before proceeding with the current “second place” selection – Omtinu. I do, however, want you to be informed of the process and basis for the selection.

If you would like to see the detailed report of the research project, let me know and I’ll have it forwarded.

Regards – John

From: Cadet, Ronald
Sent: Wednesday, February 27, 2013 5:21 PM
To: Stewart, John H. (US)
Cc: Gasdia, Russell; Mallin, William
Subject: ONU Naming Project - Decision Required
Importance: High

John-

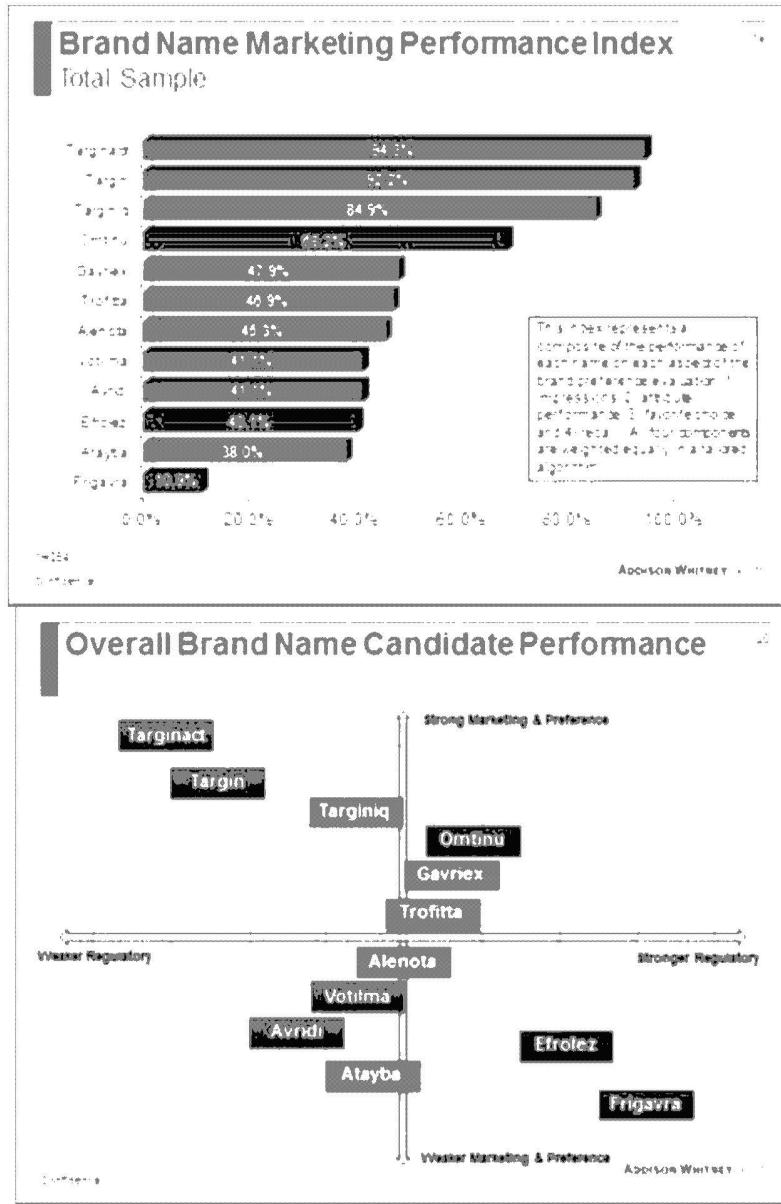
ACTION: Provide approval to move forward with **TARGINIQ** as the first choice name candidate for ONU and **OMTINU** as the backup (replacing **TROFITTA**) by **March 11th**.

- It is still my recommendation that we should move forward with **TARGINIQ** as the first choice US brand name candidate for ONU.
 - Although both **TARGIN** and **TARGINACT** performed slightly better in the naming research, as measured by the Marketing Performance Index, the differences were relatively minor. Moreover, our trademark application for **TARGIN** was rejected by the United States Patent and Trademark Office based on similarity to the existing mark **TARGEGEN** – so we are not going to be able to use Targin
 - Based on the naming research, **TARGINACT** poses a greater risk of not getting approved by the FDA, due to the potential look alike confusion with **TAGAMET**.

OTHER:

Redacted

- It will now be published for opposition in the next few months, which means that third parties will be given thirty days to oppose our application if they believe it conflicts with their trademark rights. If nobody opposes the application, we will then receive a "Notice of Allowance", which will give us three years to begin using the mark (and once we begin using it, we will get a registration).
- Our first choice for the backup name (backup to a Targin-like name) was originally OMTINU, as it tested well in the Marketing Performance Index and is also a strong candidate for Regulatory approval



CLOSE: Please let me know if you have any questions.

Thanks,

Ron

Ron Cadet | Sr. Product Manager, Marketing | 203.588.7257 |

TAB 2B

U.S. - 6

Baker, Stuart D.

From: Baker, Stuart D.
Sent: Friday, April 05, 2013 2:28 PM
To: 'Raymond R Sackler' ; "Beverly Sackler"; "Theresa Sackler"; 'Sackler, Dr Richard'; "Ilene Sackler-Lefcourt"; 'Kathe Sackler' ; 'Sackler, Jonathan'; "Mortimer D. A. Sackler"; 'Sackler, David'; 'Peter Boer' ; 'Peter Boer' ; 'Lewent, Judy'; 'Pickett, Cecil'; 'Costa, Paulo'; 'Snyderman, Ralph' ; 'Mitchell, Christopher B.'; Schreyer, Leslie J.; Roncalli, Anthony; Vellucci, Frank S.
Cc:
Subject: Proposed Decision - Infinity Shares
Attachments: Proposed Decision - Infinity Shares.DOCX

Friday, April 5, 2013

Dear All,

Dr. Raymond, Theresa, Dr. Richard, Ilene, Dr. Kathe, Jonathan and Mortimer have all agreed that all the shares of Infinity Pharmaceuticals, Inc. held by Beacon Company, Rosebay Medical Company L.P. and Purdue Pharma L.P. should be sold provided that an acceptable price is achieved. The sale is anticipated to take place next week. In order to effect the transaction it will be necessary for Purdue Pharma L.P. to distribute the 5,416,565 shares of Infinity Pharmaceuticals, Inc. it holds 50% to Beacon Company and 50% to Rosebay Medical Company L.P. Attached is a Proposed Decision authorizing that distribution. The distribution of the Infinity shares will be contingent upon a decision to complete the transaction.

Please let me have your decision as soon as possible.

Stuart

PROPOSED DECISION

April , 2013

Infinity Shares

It is proposed that Purdue Pharma L.P. ("PPLP") distribute the 5,416,565 shares of Infinity Pharmaceuticals, Inc. ("Infinity") held by PPLP 50% to Beacon Company ("Beacon") and 50% to Rosebay Medical Company L.P. ("Rosebay"); however, such distribution of shares to Beacon and Rosebay will be contingent upon completing the proposed sale of all of the Infinity shares.

(Decision of the Board of Directors of Purdue Pharma Inc., as the General Partner of Purdue Pharma L.P.)

CPAM: 5423245.1

U.S. - 8

TAB 5

U.S. - 9

Redacted

U.S. - 10

Redacted

U.S. - 11

Redacted

Blue Sheet

U.S. - 13

Abuse Deterrent MS Contin® Proposal

**Questions raised at or since the
March 21, 2013 Board Presentation**



U.S. - 14

PUBLICLY FILED PER STIPULATION [ECF 2140]

1. Which Technologies were considered and how did Purdue conclude that PEO was the best alternative?

- Rhodes and Cranbury abuse deterrent formulation development programs were considered.
 1. Both programs are in the early stages of development.
 2. Both programs are one or more years behind the PEO approach.
 3. Both programs have a lower probability of success: 30% for Rhodes and Cranbury versus 85% to 95% for the PEO approach.



U.S. - 15

1. Which Technologies were considered and how did Purdue conclude that PEO was the best alternative? (Continued)

- Melt extrusion abuse deterrent technology – currently used in Opana and Tapentadol – was evaluated and rejected because:
 1. COGS was double the PEO approach.
 2. Capital spending of, at least, \$20 million would be required.
 3. The technology transfer from [REDACTED] would have been challenging.
 4. The abuse deterrent characteristics of the PEO approach are preferred.
- Antagonist/agonist abuse deterrent program (e.g., morphine/naloxone) was considered, but rejected because:
 1. The cost of such a program would be much closer to the cost of developing Targin (\$200 million), and consuming substantially more time.
 2. It would be a new product requiring a marketing/sales investment to build demand.

Note: Purdue has followed the tamper resistant market and considered alternative technologies such as Egalet, Collegium, Oros, Elite, and others. All have been rejected as either not offering sufficient TR properties, too expensive or focused on molecules not of interest to Purdue.



U.S. - 16

1. Which Technologies were considered and how did Purdue conclude that PEO was the best alternative? (Continued)

RECOMMENDATION:

The PEO approach is recommended because

1. It is a proven technology.
2. It has a much higher probability of success.
3. It requires no capital investment and has lower COGS than melt extrusion technology
4. Purdue fully controls the development.
5. The PEO approach has been successful in the market place – so should be better accepted by the FDA (see Dr. Gary Stiles' write-up in back-up).



U.S. - 17

2. The commercial opportunity being presented is based on displacing current non-abuse deterrent MSER in the U.S. with an abuse deterrent MSER. Do you plan to license this technology to multiple suppliers to ensure FDA and other regulators' timely action?

➤ Yes, we have considered this approach. The proposed term sheet gives Purdue the right to

It is anticipated that Rhodes will participate in the market from the outset.

➤ Purdue has had discussions with Sandoz but has not and does not intend to make commitments until closer to launch.



U.S. - 18

2. The commercial opportunity being presented is based on displacing current non-abuse deterrent MSER in the U.S. with an abuse deterrent MSER. Do you plan to license this technology to multiple suppliers to ensure FDA and other regulators' timely action? (Continued)

We believe that multiple suppliers will increase the likelihood of the FDA removing non-TR products from the market.

1. FDA's track record in creating market disruptions is inconsistent.
 - A. In the cases of Colcrys (colchicine) and Qualaquin (quinine sulfate) the FDA appears to have removed legacy products quickly, within months, without requirements for multiple competitors.
 - B. On the other hand, the phase-out of the CFC propelled albuterol inhalers took several years, with the FDA waiting for 2 or more competitors.
 - C. Multiple suppliers create an environment where the FDA is more likely to remove non-TR products quickly.
2. Regulatory environment around opioids is highly likely to favor abuse deterrent products. The ultimate regulatory and launch strategies will develop as the environment develops.



U.S. - 19

3. The U.S. commercial opportunity being presented is based on displacing current low cost non-abuse deterrent MSER with higher cost abuse-deterrent MSER. Such a change could be viewed unfavorably by commercial and government payers and regulators. How do you plan to mitigate the risk of such consequences?

- The cost of prescription drug abuse is enormous, and we are developing pharmacoeconomic analyses to demonstrate the overall cost-effectiveness of AD formulations.
- MS Contin® brand rebating and patient co-pay assistance programs will be developed in advance of launch. These programs should help mitigate criticism.
- Authorized generic pricing will be managed by supply prices and royalties, but will likely change only after non-abuse deterrent products are removed from the market.



U.S. - 20

**4. The proposed license reserves certain markets for
Purdue/Mundipharma with some markets reserved for
– please explain.**

markets at signing	
Purdue Mundipharma market	
Purdue Mundipharma markets	



U.S. - 21

5. The proposed term sheet has Purdue paying a royalty on – which is more typical in a generic market. In fact, the term sheet has paying a royalty on its gross margin. Can Purdue's royalty be changed to a percent of gross margin?

- The different royalty calculations will be addressed in the contract.
- We propose trying to:

* Note: A is the preferred position and C is the least desirable.



U.S. - 22

6. The proposed term sheet does not seem to provide for an orderly transition to an improved technology – should one become available. How will such a possibility be managed?

- The proposed term sheet allows Purdue to The final contract language would likely make this a clumsy tool for this purpose.
- If we seek flexibility to transition out of the deal, will likely want to protect their royalty in the Purdue markets and would want to ensure access to the new technology in the markets. This would become difficult.
- We propose addressing this issue indirectly by reserving our right to stop commercialization for “safety”.



7. The proposed term sheet

Please explain!

- The proposed term sheet leaves

- Rhodes requested this freedom-to-operate.



U.S. - 24

8. What will the tablet sizes be?



U.S. - 25

PUBLICLY FILED PER STIPULATION [ECF 2140]

9. Please describe the opportunity in the EU. How will that opportunity be realized?

Meeting Discussion



U.S. - 26

PUBLICLY FILED PER STIPULATION [ECF 2140]

10. Please provide a financial summary and P&L

Up front to	
R&D development	\$28.4 million
NDA approval milestone to	
Royalty to	
Launch	

*



U.S. - 27

P&L's

Disruption Scenario

Brand used to fill 20% of scripts written MS Contin for 3 years with 40% rebate; return to original market share and rebate. Authorized Generic price increase from 5% to 10% of in year 3 WAC

PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020
Net Sales									
Purdue brand	net sales, \$000s	11,235	11,803	12,402	191,883	201,578	211,806	15,108	15,871
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	34,412	35,098	105,903	108,014	110,167
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 226,294	\$ 236,676	\$ 317,709	\$ 123,121	\$ 126,038
Cost of Goods									
Purdue brand	\$000s	219	224	228	5,711	5,825	5,943	247	252
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 24,522	\$ 25,010	\$ 34,078	\$ 28,943	\$ 29,520
Gross Margin									
Purdue brand	\$000s	11,016	11,579	12,173	186,171	195,753	205,863	14,861	15,619
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	15,601	15,912	77,768	79,318	80,899
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s						3,177	3,240	3,305
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 201,773	\$ 211,666	\$ 286,808	\$ 97,419	\$ 99,823
Gross margin as % of net sales		58.9%	59.2%	59.5%	89.2%	89.4%	90.3%	79.1%	79.2%
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 16,023	\$ 11,013	\$ 14,659	\$ 5,903	\$ 5,772
Financial Deal Terms									
Total Milestones (P&L)									
Total Royalties									
Operating Profits before Taxes	\$000s	\$ 20,962	\$ 16,299	\$ 14,412	\$ 171,905	\$ 186,030	\$ 249,860	\$ 83,117	\$ 85,474



Redacted

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P&L

ASSUMPTIONS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Total Morphine (BID) Market (million tablets)															
15MG	126.3	128.8	131.3	134.0	136.6	139.4	142.2	145.0	147.9	150.9	153.9	156.9	160.1	163.3	
30MG	165.5	168.8	172.2	175.7	179.2	182.7	186.4	190.1	193.9	197.8	201.7	205.8	209.9	214.0	
60MG	101.8	103.9	105.9	108.1	110.2	112.4	114.7	117.0	119.3	121.7	124.1	126.6	129.1	131.7	
100MG	50.0	51.0	52.0	53.1	54.1	55.2	56.3	57.5	58.6	59.8	61.0	62.2	63.4	64.7	
200MG	5.8	5.9	6.0	6.1	6.2	6.4	6.5	6.6	6.7	6.9	7.0	7.2	7.3	7.4	
Total number of tablets (million)	449.4	458.4	467.5	476.9	486.4	496.1	506.1	516.2	526.5	537.0	547.7	558.6	569.8	581.1	
Number of tablets per bottle (average)	84	84	84	84	84	84	84	84	84	84	84	84	84	84	
Total IMS morphine BID market	in bottles, 000s	5,336	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year		2.0% p.a.		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Market Share, by sales bottles															
Purdue brand (2013, fixed)	25 in bottles, 000s		0.4%	0.4%	0.4%	10.0%	10.0%	10.0%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	
Purdue/Rhodes generic			34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	
3rd-party generic, licensed by Purdue	15.0% during 2016-2019		0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%	
Other manufacturers	total to 100%		64.8%	64.8%	64.8%	55.2%	55.2%	25.0%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%	
Pricing, weighted-average by mg															
Purdue brand net price	3.0% per bottle, growth yty	40% rebate	\$ 506.71	\$ 521.91	\$ 537.57	\$ 332.22	\$ 342.18	\$ 352.45	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price; Cr	3.4% <= % of WAC => TR	10%	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24
Cost of Goods (Unit)															
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	0%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	0%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Net Sales															
Purdue brand	net sales, \$000s	11,235	11,803	12,402	191,883	201,578	211,806	15,108	15,871	16,675	17,517	18,402	19,332	20,309	
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	34,412	35,098	105,903	108,014	110,167	112,374	79,728	81,317	82,938	84,591	
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 226,294	\$ 236,676	\$ 317,709	\$ 123,121	\$ 126,038	\$ 129,048	\$ 97,245	\$ 99,719	\$ 102,270	\$ 104,900	
Cost of Goods															
Purdue brand	\$000s	219	224	228	5,711	5,825	5,943	247	252	257	262	267	273	278	
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473	
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 24,522	\$ 25,010	\$ 34,078	\$ 28,943	\$ 29,520	\$ 30,111	\$ 21,443	\$ 21,871	\$ 22,307	\$ 22,751	
Gross Margin															
Purdue brand	\$000s	11,016	11,579	12,173	186,171	195,753	205,863	14,861	15,619	16,418	17,255	18,135	19,060	20,031	
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	15,601	15,912	77,768	79,318	80,899	82,519	58,546	59,713	60,904	62,118	
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s						3,177	3,240	3,305	3,371	2,292	2,338	2,385	2,432	
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 201,773	\$ 211,666	\$ 286,808	\$ 97,419	\$ 99,823	\$ 102,308	\$ 78,094	\$ 80,186	\$ 82,348	\$ 84,581	
Gross margin as % of net sales		58.9%	59.2%	59.5%	89.2%	89.4%	90.3%	79.1%	79.2%	79.3%	80.3%	80.4%	80.5%	80.6%	
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 16,023	\$ 11,013	\$ 14,659	\$ 5,903	\$ 5,772	\$ 5,907	\$ 4,476	\$ 4,587	\$ 4,702	\$ 4,820	
Financial Deal Terms															
Total Milestones (P&L)															
Total Royalties															
Operating Profits before Taxes	\$000s		\$ 20,962	\$ 16,299	\$ 14,412	\$ 171,905	\$ 186,030	\$ 249,860	\$ 83,117	\$ 85,474	\$ 87,641	\$ 66,987	\$ 68,822	\$ 70,717	\$ 72,677
Provision for income taxes	50.0% tax rate		(10,481)	(8,149)	(7,206)	(85,953)	(93,015)	(124,930)	(41,559)	(42,737)	(43,820)	(33,493)	(34,411)	(35,359)	(36,338)
Net Income after Taxes	\$000s		\$ 10,481	\$ 8,149	\$ 7,206	\$ 85,953	\$ 93,015	\$ 124,930	\$ 41,559	\$ 42,737	\$ 43,820	\$ 33,493	\$ 34,411	\$ 35,359	\$ 36,338



Redacted

U.S. - 29

BACK UP



U.S. - 30

PUBLICLY FILED PER STIPULATION [ECF 2140]

Memo from G. Stiles regarding timelines and risk:

From: Stiles, Gary
Sent: Thursday, March 28, 2013 7:32 AM
To: Sackler, Dr Richard
Cc: Stewart, John H. (US); Mahony, Edward; Baker, Stuart D.
Subject: MS Contin

Richard,

Following our discussion, I have put together 2 timelines for your review. The first is the timeline for the development of TR-MS Contin using a PEO approach via the proposed license from [REDACTED] which builds upon the approach used for development of the current OxyContin product. The second is the timeline for development using the [REDACTED] based platform that Rich Mannion and his group have been developing in Cranbury, which is not dependent on any licensing or external technology. As you can see, the second approach adds approximately one year to the development time. However, time is only one factor we should consider in deciding what approach we should take.

A second very important factor is the relative risk of failure or significant delay between the two programs. We believe the risks are quite different at each stage of the development process and for the commercial scale "manufacturability" for the two programs. For example, the [REDACTED] formulation is only in preliminary stages of development, and we do not know that the technology will be successful. We have performed the preliminary work with a payload of 10 mg oxycodone as the test opioid. These results are encouraging, but do not necessarily correlate well with what will be observed at higher strengths. This is particularly important for MS Contin, where the range of strengths will be from 15 – 200 mg. We know from experience that when the ratio of components such as [REDACTED] to API is altered, two major characteristics of the formulation change -- the release rate and the abuse deterrent properties. Therefore different size and shape tablets may be needed for different tablet strengths, and whether the highest strengths can be accommodated at all remains unknown. We currently know much more about these relationships with PEO than [REDACTED], so we will need more experimentation time with the [REDACTED] approach. We simply don't have the 8-10 years of experience we have had with the PEO-based formulation.

Another major issue that remains unknown is the "manufacturability" of the [REDACTED] formulation. At the current stage of development this is normal and expected, but it is an extremely important issue – since unlike the situation where one makes a new product using a new formulation technology and there is a natural volume ramp up over several years, in this case production volume will be huge right from launch (because of the combined volume of MS Contin brand and Rhodes generic). I raise this issue because we know the Edragit formulation is "sticky" and the manufacturing process may need to be modified as it evolves to commercial scale. In addition, we may need new equipment such as spray technology with which we are less familiar and, as such, may give rise to unforeseen delays and other hurdles as we progress the project.

The third issue is the stability of morphine in this formulation; we can quickly ascertain if it is very unstable – but longer term stability issues may arise.

I want to reassure you that I am very much in favor of continuing to develop the [REDACTED] platform as a potential alternative to the PEO formulation for OxyContin, and for other opioids as well. In the instance of MS Contin, I am simply highlighting the risk of proceeding solely with a yet unproven technology for a marketed product with substantial commercial volume.

My opinion is that the chance of success within the time frames shown on the attached timelines for the PEO approach is 85-90% and for the [REDACTED] approach is 30%.

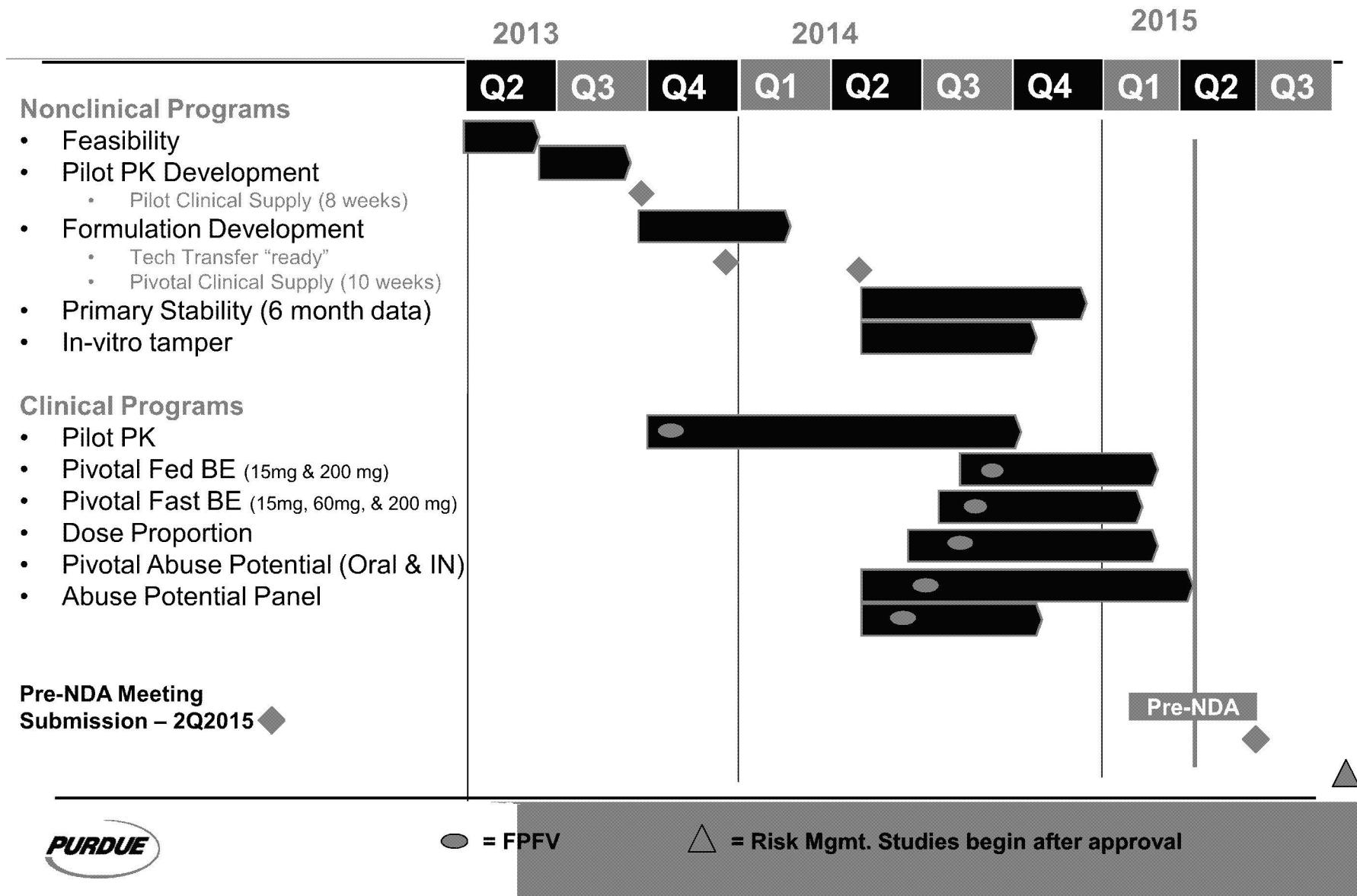
This is the thought process we used in coming to the conclusion that the PEO approach was the preferred approach for MS Contin.

I am glad to discuss further with you if that would be helpful.

PURDUE
Best,
Gary

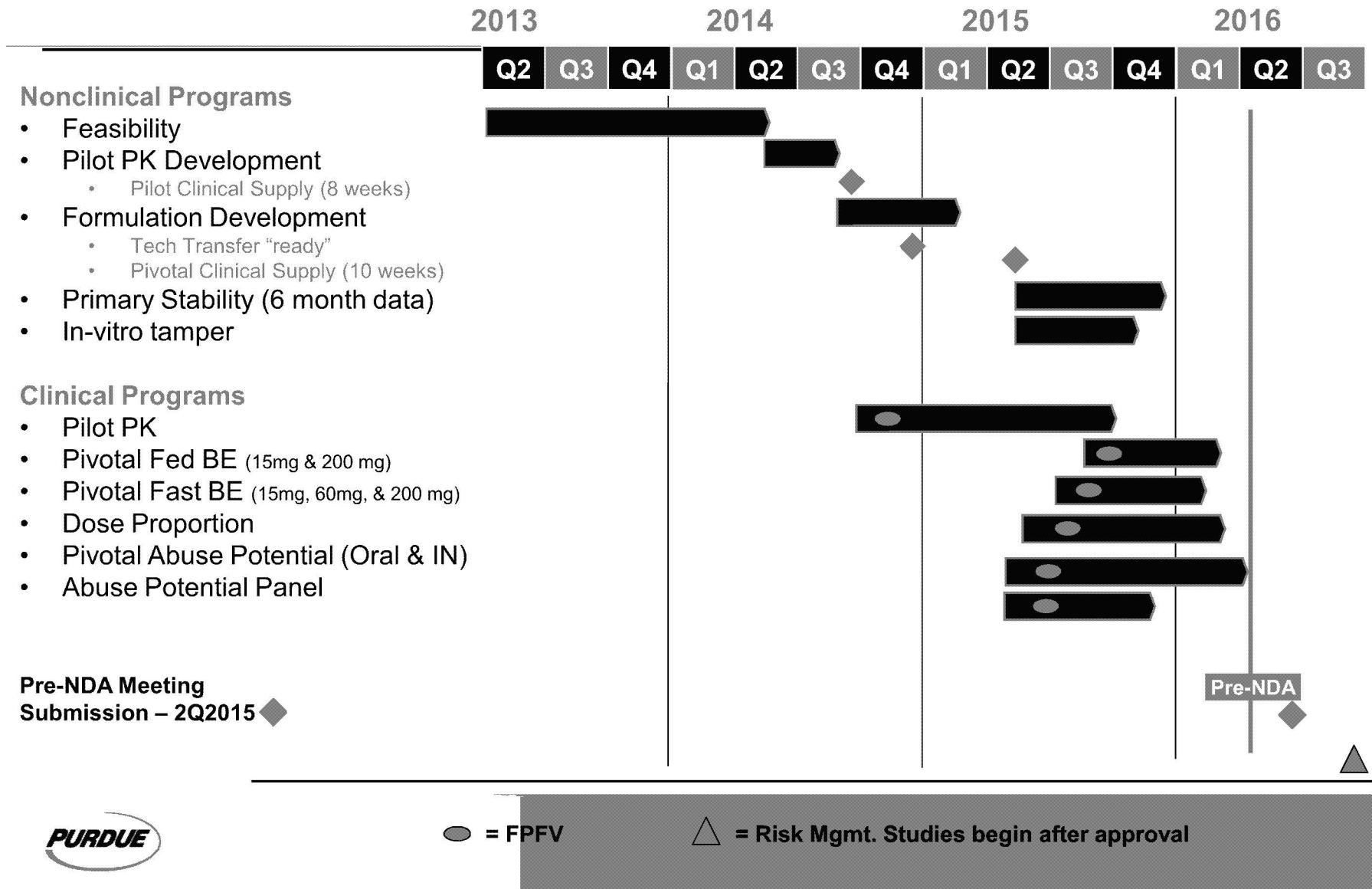
U.S. - 31

Internal TR-MS Contin Provisional Timeline (PEO)



U.S. - 32

Internal TR-MS Contin Provisional Timeline



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Potential Protection/IP for Proposed ER Morphine Bid Abuse Deterrent Product

Patents that Currently Could Be Orange-Book Listed for Non-Melt Extruded MS Contin®

Title	Pub. Date	Priority	Publication	U.S. Patent	Granted	Expiration

- Please note that this table only includes issued patents. It does not include pending applications from which additional Orange Book-listable patents may be granted, as issuance of a patent, claim scope, and patent expiration cannot be determined with certainty based upon a pending patent application.
- All patents above are also listed in the Orange Book for OxyContin®.
- MS Contin® would not be eligible for 3 years of Hatch Waxman data exclusivity.



Source: Purdue Legal department

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Blue Sheet

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Abuse Deterrent MS Contin® Agenda

March 21, 2013

- ER Morphine Market
- ER Morphine Abuse
- Abuse Deterrent Technology
- Abuse Deterrent Technology
- Development Plan and Timeline
- Commercial Opportunity
- Risks
- Summary



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Why abuse deterrent ER Morphine?

- ER morphine appears to be less abused than Oxy IR, hydrocodone – APAP or OxyContin – but is still substantially abused. That abuse will likely increase as abuse deterrent versions of oxycodone IR and Opana are introduced.
- ER morphine is abused via injecting or snorting – both likely made more difficult in an abuse deterrent dosage.
- ER morphine is currently ~30% of all long acting opioid prescriptions – so is an important part of an abuse deterrent opioid strategy.
- Any governmental regulations in favor of abuse deterrent opioids will almost certainly pertain to ER morphine.



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Why Purdue/Rhodes is in a unique position to develop and commercialize an abuse deterrent ER Morphine?

- Purdue has a successful track record developing abuse deterrent opioids, collecting and disseminating meaningful abuse deterrent data and obtaining timely FDA approval.
- An abuse deterrent ER Morphine would become part of Purdue's portfolio of abuse deterrent products – OxyContin, Targin, ER hydrocodone and IR oxycodone.
- The MS Contin NDA – owned by Purdue – should enable Purdue to more readily disrupt the market.
- 50% of ER morphine prescriptions are written "MS Contin".
- Rhodes 37.4+% (Q1 2013) market share in ER morphine enables an early and substantial entry of an abuse deterrent ER morphine into the generic segment.



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ER Morphine BID Market - 2012

- 6.2 million 100-tablet bottles - ≥10% compounded growth over last three years
- 99.5% generic
- Suppliers include Mallinckrodt 42%, Rhodes 30%*, Par 15%, Mylan 8% and MS Contin brand 0.5%
- Generics sales price is approximately 5% of brand WAC**
- Sales - all competitors - at generic prices are estimated at \$113 million**
- Gross margin is likely in the 45% range, so gross margin – all competitors – is approximately \$51 million
- At brand net pricing, this would be a \$2.7 billion market
- Nearly 50% of prescriptions are written “MS Contin” – so the brand name has significant recognition – an untapped value.



* Rhodes Q1 2013 market share is 37.4%.

** Based on Rhodes 2012 pricing.

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ER Morphine BID Market - 2012

- ER Morphine OAD Market 2012
 - Kadian, Avinza and Kadian generics have, in total, annual sales of \$300 million.
- Embeda
 - OAD morphine with sequestered Naltrexone
 - Developed by Alpharma and King and now owned by Pfizer
 - Sequestered Naltrexone is released when the product is crushed – giving the product abuse deterrent properties
 - Sold as a brand with peak sales in 2010 of \$67 million
 - Withdrawn in 2011 due to stability requirements not being met
 - No sales in 2012 – return to market date not announced



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ER Morphine Abuse

- ER morphine is less abused than Oxy IR, hydrocodone-APAP or OxyContin – but is still substantially abused.
- ER morphine abuse did not increase in the years after introduction of reformulated OxyContin. Opana ER and oxycodone IR appear to be the primary replacement.
- With the introduction of the TR Opana and expected Purdue / Rhodes of TR oxycodone – abuse of non-TR ER morphine is likely to increase.
- Approximately 50% of people who abuse ER morphine do so via injecting and 29% by snorting, both modes that would likely be made much more difficult in a TR platform.
- ER morphine could reduce patient errors and accidental exposures in children.

Conclusion:

- An abuse-deterrent formulation of ER morphine appears to be an important opportunity because ER morphine is quite widely prescribed, its use is increasing, the rate of abuse is about average within the opioid class, and ER morphine is abused by injecting and snorting.



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Abuse Deterrent Technology - Options

Options:

1. Rhodes gastric release – concept stage – not yet developed.
2. Purdue internal development – concept stage – not yet developed.
3. PEO hard tablet – OxyContin-like formulation:
Requires license to . Concept proven with OxyContin. Morphine ER formulation in development in Cranbury. Likely good abuse deterrence.
4. melt-extrusion INTAC TR technology:
Nucynta and Opana like formulation. Would require license to new manufacturing technology and \$18M capital. Complex situation with IP ownership. Likely good abuse deterrence.

Recommendation:

#3 as it is a proven technology, no new capital, lower COG than #4, simplified manufacturing and scale-up, Purdue would control the development and control over IP.



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Commercial Opportunity

- The ER morphine BID market is high volume and very low margin.
- The investment required to develop an abuse deterrent product is supported by an expectation that the new offering will disrupt the market as follows:
 - The old MS Contin NDA would be withdrawn
 - The new product would be named MS Contin, have its own NDA, its own National Drug Code number, have no generic equivalents and benefit, at least partially, from 50% of ER morphine scripts written "MS Contin". Rebating and patient copay assistance would be likely.
 - The FDA could require all old formula generics products to leave the market in favor of the abuse deterrent formulation.



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Commercial Opportunity

Market Disruption Scenario – Purdue/Rhodes* combined:

(\$ Million)	2016	2017	2018	2019	2020	Total
<u>As is Scenarios</u>						
- Net Sales	47	49	50	52	53	251
- Gross Margin	28	29	30	31	33	152
Net Sales						
<u>Disruption Scenario</u>						
1. Brand used to fill 20% of scripts written MS Contin for 3 years with 40% rebate; then return to original market share and rebate	192	202	212	15	16	636
2. Authorized Generic price increase from 5% to 10% of WAC in year 3 & Rhodes market share to 50%	34	35	106	108	110	394
3. 1 and 2:						
- Total Net Sales	226	237	318	123	126	1,030
- Total Gross Margin	202	212	287	97	100	898

* Does not include the potential benefit of Rhodes providing API

** Does not include technology license, capital or development cost – for these, see full P&L.



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License and Investment Highlights

PEO Hard Tablet (OxyContin formulation)

- Upfront Payment to |
- R&D Development Cost | \$28.4 million
- NDA Approval Milestone to |
- Royalty to |
- Competitive Cost of Goods Sold / Bottle | \$8.99/bottle
- Launch

Risks

Development of all strengths underway.

IP protecting this product also protects several other products.

Payers may balk at higher prices.

FDA may not remove non-abuse deterrent products from the market.



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Summary:

- Abuse deterrent MS Contin represents a significant commercial opportunity.
- The patent technology may enable Purdue/Rhodes to be first to market.
- Purdue (with the NDA) and Rhodes (with 37.4% generic market share) are in a unique position to develop this opportunity.

Recommendation:

- License patents, develop and launch an abuse deterrent ER morphine.



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Backup

- Term Sheet Key Terms
- ER Morphine Market
- ER Morphine Market Projection
- ER Morphine Pricing
- Regulatory Strategy
- Protection/IP
- Scenario P&L's
- Development Budget



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TERM SHEET SUMMARY



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PUBLICLY FILED PER STIPULATION [ECF 2140]

Proposed

ER Morphine BID Term Sheet

- Products –
 - MS Contin and related AG and ANDAs
- Purdue Territory –



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PUBLICLY FILED PER STIPULATION [ECF 2140]

Proposed

ER Morphine BID Term Sheet (cont'd)

- Payments by Purdue–
 - Up-front -
 -
 - Royalties -



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ER Morphine Market

1X Per Day Morphine

Manufacturer (Product)	TRx				Sales (000)				Bottles Sold			
	2009	2010	2011	2012	2009	2010	2011	2012 (YTD NOV)	2009	2010	2011	2012 (YTD NOV)
ACTAVIS												
KADIAN	669,201	569,677	535,403	217,986	\$266,623	\$264,758	\$265,964	\$102,107	393,448	338,892	309,629	110,786
MORPHINE SULF (Generic Kadian)			6,866	183,522				\$10,327	\$72,522			14,820
<i>Actavis subtotal</i>	669,201	569,677	542,269	401,508	\$266,623	\$264,758	\$276,291	\$174,629	393,448	338,892	324,449	224,362
PFIZER												
AVINZA	545,856	387,391	297,807	233,887	\$166,945	\$134,886	\$115,367	\$89,192	227,537	164,080	131,217	92,988
EMBEDA	14,461	149,938	36,054	5	\$11,169	\$68,164	\$17,509	\$2	18,392	107,862	26,371	2
<i>Pfizer Subtotal</i>	560,317	537,329	333,861	233,892	\$178,114	\$203,050	\$132,876	\$89,194	245,929	271,942	157,588	92,990
WATSON LABS												
MORPHINE SULF (Generic Kadian)			3,473	74,598				\$5,395	\$43,826			7,455
<i>Watson Subtotal</i>	-	-	3,473	74,598	\$0	\$0	\$5,395	\$43,826	-	-	7,455	63,906
Total 1x Per Day Morphine	1,229,518	1,107,006	879,603	709,998	\$444,737	\$467,808	\$414,562	\$307,649	639,377	610,834	489,492	381,258

2X Per Day Morphine

Manufacturer	TRx				Sales (000)				Bottles Sold			
	2009	2010	2011	2012	2009	2010	2011	2012 (YTD NOV)	2009	2010	2011	2012 (YTD NOV)
4UORTHO LLC				22								
ABG LABORATORIES	9	1										
AMERICAN HLTH PKG			22	652				\$97	\$551	-	-	2,028
BLENHEIM PHARMACAL				1								11,319
BRYANT RANCH PREPK			1									
DHS INC	1											
DISPENSING SOLUTIO	17	3										
ENDO GENERIC PROD	1,343,100	1,243,901	1,164,268	533,998	\$54,001	\$45,388	\$44,179	\$12,504	1,201,825	1,076,004	1,157,652	304,902
ETHEX CORP	102,165	5,411	1,582	296	\$815	\$26	\$3	\$0	23,810	1,161	68	12
LIBERTY PHARM	20	5										
MALLINCKRODT	1,358,869	1,524,116	2,316,601	3,512,872	\$49,804	\$49,082	\$54,026	\$72,789	1,374,209	1,618,383	1,897,184	2,417,335
MYLAN			13,171	588,709				\$4,147	\$25,108	-	-	43,150
NUCARE PHARM			1	2								
PALMETTO PHARMA	6	1										
PAR PHARM (Watson)	1,745,940	2,329,932	614,780	15,944	\$48,491	\$57,060	\$14,411	\$89	1,513,532	1,844,787	437,826	832
PD-RX PHARM				1	3							
PHARMA PAC				8	20							
PHYS TOTAL CARE	10	4	1	2								
PURDUE PHARMA (MS-Contin)	37,891	28,331	23,283	20,179	\$19,933	\$16,440	\$15,243	\$12,959	53,499	39,280	33,607	25,429
QUALITY CARE PHARM	18	18	26	11								
RHODES PHARM			1,678,860	1,851,079				\$43,401	\$55,836	-	-	1,538,130
STAT RX USA				3	6							1,648,817
TEVA PHARMACEUTICA	26	2	2									
VIBRANTA	34	7										
XANODYNE PHARMA (Oramorph-SR)	17,922	11,011	4,726	230	\$6,301	\$3,759	\$1,211	\$3	103,687	54,271	10,532	19
2x Per Day Morphine Total	4,606,028	5,142,745	5,817,335	6,524,025	\$179,345	\$171,755	\$176,718	\$179,839	4,270,562	4,633,886	5,120,176	4,891,653



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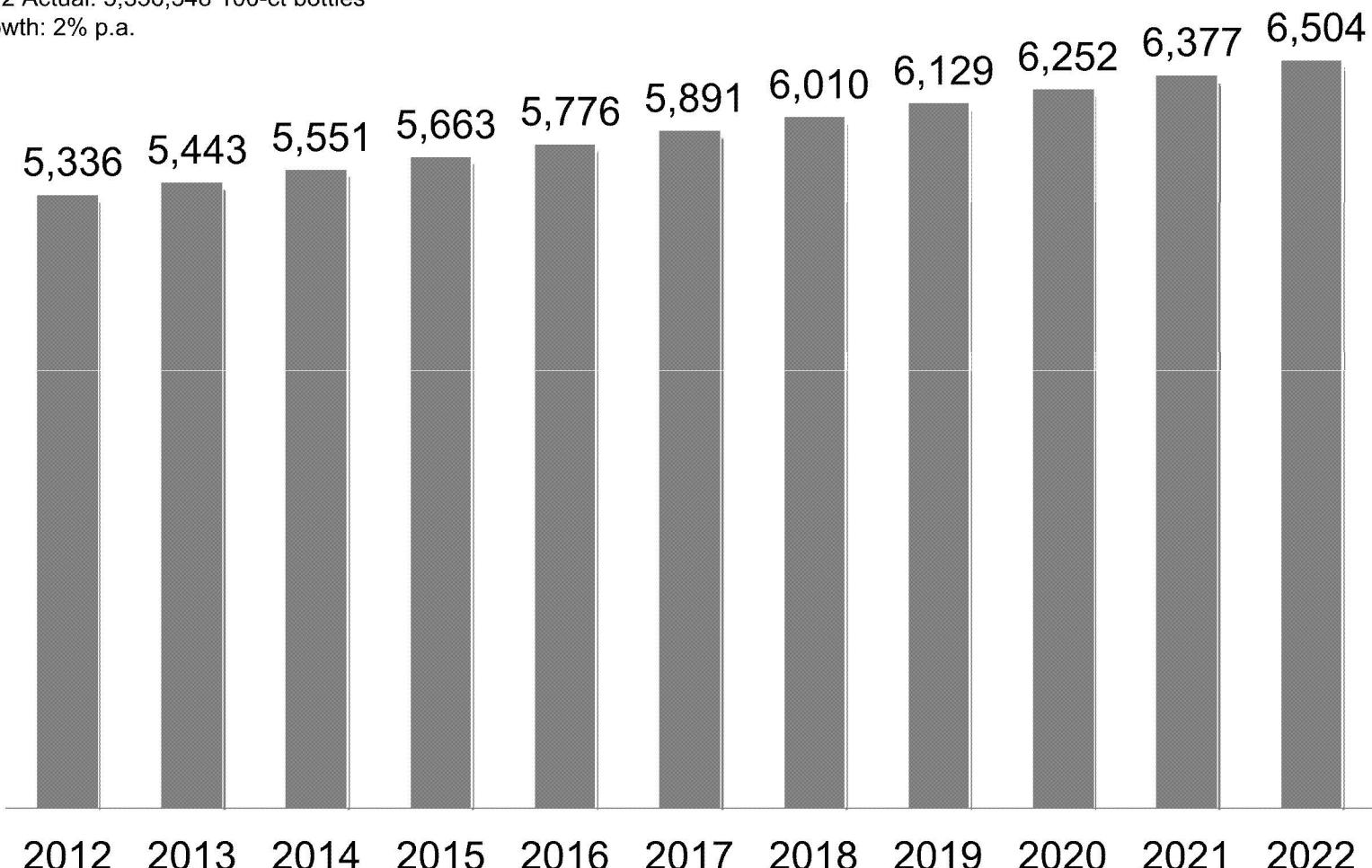
ER Morphine BID Market Projection

Bottles (000s)

Assumptions:

2012 Actual: 5,336,348 100-ct bottles

Growth: 2% p.a.



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PUBLICLY FILED PER STIPULATION [ECF 2140]

Purdue and Rhodes 2012 Pricing

		Purdue Brand	Rhodes Generics
Bottles of 100s (avg)		Net	Net
MSER BID	15mg	\$ 146.0	\$ 8.4
MSER BID	30mg	\$ 277.3	\$ 13.8
MSER BID	60mg	\$ 541.2	\$ 19.9
MSER BID	100mg	\$ 801.2	\$ 34.6
MSER BID	200mg	\$ 1,467.4	\$ 64.0



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Regulatory Strategy

- File abuse deterrent ER morphine as a new NDA.
- Launch the new NDA as a replacement for and with the MS Contin name (same strategy as OxyContin).
- Seek abuse deterrent labeling – likely delaying new generic competition.
- Encourage FDA to remove non-abuse deterrent products from the market.



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Potential Protection/IP for Proposed ER Morphine Bid Abuse Deterrent Product

Proposed Product	Exclusivity – Data delays ANDA Approval	Patent Life
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Hard Tablet (OxyContin like) PEO Formula	3 Years from NDA Approval (New Dosage Form)	Until March 2, 2019 (U.S.P.N.6,488,963)
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P&L's

Disruption Scenario

Brand used to fill 20% of scripts written MS Contin for 3 years with 40% rebate; return to original market share and rebate. Authorized Generic price increase from 5% to 10% of in year 3 WAC

PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020
Net Sales									
Purdue brand	net sales, \$000s	11,235	11,803	12,402	191,883	201,578	211,806	15,108	15,871
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	34,412	35,098	105,903	108,014	110,167
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 226,294	\$ 236,676	\$ 317,709	\$ 123,121	\$ 126,038
Cost of Goods									
Purdue brand	\$000s	219	224	228	5,711	5,825	5,943	247	252
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 24,522	\$ 25,010	\$ 34,078	\$ 28,943	\$ 29,520
Gross Margin									
Purdue brand	\$000s	11,016	11,579	12,173	186,171	195,753	205,863	14,861	15,619
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	15,601	15,912	77,768	79,318	80,899
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s						3,177	3,240	3,305
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 201,773	\$ 211,666	\$ 286,808	\$ 97,419	\$ 99,823
Gross margin as % of net sales		58.9%	59.2%	59.5%	89.2%	89.4%	90.3%	79.1%	79.2%
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 16,023	\$ 11,013	\$ 14,659	\$ 5,903	\$ 5,772
Financial Deal Terms									
Total Milestones (P&L)									
Total Royalties									
Operating Profits before Taxes	\$000s	\$ 20,962	\$ 16,299	\$ 14,412	\$ 171,905	\$ 186,030	\$ 249,860	\$ 83,117	\$ 85,474

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Development Budget

Cost Category	Amount
Internal FTE Cost	\$4,747,149
<u>Outsourced Costs:</u>	
<i>Non-Clinical</i> *	7,787,182
<i>Clinical</i> *	13,500,000
<i>Regulatory</i> *	1,350,000
<i>Post Marketing/Risk Management</i> *	1,050,000
Total Outsourced Costs	\$23,687,182
Total R&D Costs	\$28,434,331

*Data Source = Formulation & development of a tamper-resistant bio-equivalent MS Contin budget estimate



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ER Morphine Abuse

Brand ER Morphine Routes of Abuse and Numbers of Abusers by Specific Routes in the ASI-MV NAVIPPRO System of Substance Abuse Treatment Centers

Distribution of routes of administration reported by individuals within the ASI -MV network who reported past 30-day abuse of OxyContin and comparators (10/1/2011 - 9/30/2012)												
	OxyContin (reformulated) (n = 1,732)		OxyContin (original) (n = 1,660)		Single-entity oxycodone IR (n = 1,951)		Hydrocodone IR combination (n = 6,092)		Original oxymorphone ER* (--)		Morphine ER (n = 870)	
	n	%	n	%	n	%	n	%	n	%	n	%
Oral	1,262	72.9	965	58.1	818	41.9	5,559	91.3	--	26.3	330	37.9
Snort	510	29.4	779	46.9	1,186	60.8	1,348	22.1	--	76.7	237	27.2
Smoke	80	4.6	171	10.3	171	8.8	66	1.1	--	1.8	10	1.1
Inject	354	20.4	460	27.7	682	35.0	59	1.0	--	16.2	505	58.0
Other	50	2.9	66	4.0	22	1.1	164	2.7	--	0.9	34	3.9

Note that categories for route of administration in the above table are not mutually exclusive and do not sum to 100%.
*Percentages for the routes of administration categories for original extended release oxymorphone are presented as the quarterly average for the baseline period.



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Blue Sheet

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MS Contin Financial Analysis

Date: 3/23/2013

Scenario	TR selling price as % of WAC	\$000s		
		Purdue + Rhodes Total NPV	TR Value Added over Baseline NPV	Total NPV
#0: Baseline; no-TR; sales to EOY-2017	3.4%	59,017	-	-
#3: Low Case; maintain WAC	3.4%	39,140	(19,877)	11,853
#2: Base Case; increase WAC pricing	5.0%	135,667	76,650	15,942
#1: High Case; increase WAC pricing	8.0%	220,470	161,453	21,888
#1a: High+ Case; increase WAC pricing	12.0%	331,646	272,629	31,710
#4: Market Disruption Case	10.0%	303,017	244,000	28,904

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MS Contin Financial Analysis
 Date: 2/26/2013

Alternate Views

Competitors in Market Scenario	TR selling price as % of WAC						\$ millions			\$ millions					
	Year 1 (2016)		Year 2 (2017)		Year 3 (2018)		Purdue + Rhodes Net Sales			Purdue + Rhodes Total NPV	TR Value Added over Baseline NPV	Total NPV			
	Months 0-6	Months 7-12	Months 13-18	Months 19-24	Months 25-30	Months 31-36	2016	2017	2018						
2 Competitors	40.0%	35.0%	35.0%	30.0%	30.0%	30.0%	430	394	544	850	791	88	37.5%	32.5%	30.0%
3 Competitors	40.0%	25.0%	25.0%	20.0%	20.0%	20.0%	375	277	367	579	520	60	32.5%	22.5%	20.0%
4 Competitors	40.0%	20.0%	20.0%	15.0%	15.0%	15.0%	347	218	279	443	384	46	30.0%	17.5%	15.0%
4+ Competitors	40.0%	15.0%	15.0%	8.0%	8.0%	8.0%	319	148	156	259	200	28	27.5%	11.5%	8.0%

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PUBLICLY FILED PER STIPULATION [ECF 2140]

ASSUMPTIONS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market														
Total IMS morphine BID market	in bottles, 000s	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0% p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles														
Purdue brand (2013, fixed)	25 in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic		34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0% during 2016-2019	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg														
Purdue brand net price	3.0% per bottle, growth yty	\$ 506.71	\$ 521.91	\$ 537.57	\$ 553.69	\$ 570.30	\$ 587.41	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price;	3.4% <= % of WAC =>TR	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13
Cost of Goods (Unit)														
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, \$000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	133,478	136,138	199,647	203,627	207,685	211,846	150,302	153,298	156,353	159,470
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 146,506	\$ 149,825	\$ 214,028	\$ 218,734	\$ 223,556	\$ 228,520	\$ 167,819	\$ 171,700	\$ 175,685	\$ 179,779
Cost of Goods														
Purdue brand	\$000s	219	224	228	233	237	242	247	252	257	262	267	273	278
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 19,043	\$ 19,422	\$ 28,377	\$ 28,943	\$ 29,520	\$ 30,111	\$ 21,443	\$ 21,871	\$ 22,307	\$ 22,751
Gross Margin														
Purdue brand	\$000s	11,016	11,579	12,173	12,796	13,449	14,139	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	114,667	116,953	171,512	174,931	178,418	181,992	129,121	131,694	134,319	136,997
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s													
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 127,463	\$ 130,402	\$ 191,640	\$ 195,900	\$ 200,267	\$ 204,765	\$ 150,697	\$ 154,237	\$ 157,874	\$ 161,613
Gross margin as % of net sales		58.9%	59.2%	59.5%	87.0%	87.0%	89.5%	89.6%	89.6%	89.6%	89.8%	89.8%	89.9%	89.9%
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 12,432	\$ 7,105	\$ 9,994	\$ 10,206	\$ 10,160	\$ 10,383	\$ 7,652	\$ 7,826	\$ 8,006	\$ 8,190
Financial Deal Terms														
Total Milestones (P&L)														
Total Royalties														
Operating Profits before Taxes	\$000s	\$ 20,962	\$ 16,299	\$ 14,412	\$ 107,083	\$ 115,184	\$ 165,727	\$ 169,363	\$ 173,353	\$ 177,192	\$ 131,426	\$ 134,457	\$ 137,572	\$ 140,774
Provision for income taxes	50.0% tax rate	(10,481)	(8,149)	(7,206)	(53,541)	(57,592)	(82,864)	(84,681)	(86,676)	(88,596)	(65,713)	(67,228)	(68,786)	(70,387)
Net Income after Taxes	\$000s	\$ 10,481	\$ 8,149	\$ 7,206	\$ 53,541	\$ 57,592	\$ 82,864	\$ 84,681	\$ 86,676	\$ 88,596	\$ 65,713	\$ 67,228	\$ 68,786	\$ 70,387
FREE CASH FLOWS ANALYSIS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model														
Net income after taxes		10,481	8,149	7,206	53,541	57,592	82,864	84,681	86,676	88,596	65,713	67,228	68,786	70,387
Work capital changes	10.0% of ytd sales change	-	(121)	(126)	(10,037)	(332)	(6,420)	(471)	(482)	(496)	6,070	(388)	(399)	(409)
Add: milestones amortized		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: milestone cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows		3,632	8,517	7,569	42,128	57,883	77,066	84,833	86,817	88,722	72,405	67,463	69,010	70,600
I Free Cash Flows		\$ 3,669	\$ -	\$ -	\$ 4,663	\$ 3,746	\$ 7,648	\$ 7,855	\$ 8,066	\$ 8,283	\$ 5,499	\$ 5,666	\$ 5,837	\$ 6,013
RETURN ON INVESTMENT														
		discounted \$000s												
Purdue+Rhodes discounted free cash flows with formulation, 2013-2025 (@12%)														
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY:														
Incremental discounted free cash flows provided by formulation														
I discounted free cash flows (@12% discount rate)														

Redacted

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ASSUMPTIONS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market														
Total IMS morphine BID market	in bottles, 000s	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0% p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles														
Purdue brand (2013, fixed)	25 in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic		34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0% during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%	64.8%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg														
Purdue brand net price	3.0% per bottle, growth yty	\$ 506.71	\$ 521.91	\$ 537.57	\$ 553.69	\$ 570.30	\$ 587.41	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price;	3.4% <= % of WAC =>TR	\$ 17.13	\$ 17.13	\$ 17.13	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30	\$ 44.30
Cost of Goods (Unit)														
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, \$000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	38,985	90,759	133,098	135,751	138,457	141,231	100,201	102,198	104,235	106,313
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	#####	#####	\$ 147,479	\$ 150,859	\$ 154,328	\$ 157,905	\$ 117,718	\$ 120,601	\$ 123,568	\$ 126,622
Cost of Goods														
Purdue brand	\$000s	219	224	228	233	237	242	247	252	257	262	267	273	278
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 19,043	\$ 19,422	\$ 28,377	\$ 28,943	\$ 29,520	\$ 30,111	\$ 21,443	\$ 21,871	\$ 22,307	\$ 22,751
Gross Margin														
Purdue brand	\$000s	11,016	11,579	12,173	12,796	13,449	14,139	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	70,175	71,574	104,963	107,055	109,189	111,376	79,020	80,595	82,202	83,840
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s					3,993	4,073	4,154	4,237	2,881	2,938	2,997	3,057	
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 82,970	\$ 85,023	\$ 123,095	\$ 125,988	\$ 128,962	\$ 132,031	\$ 99,156	\$ 101,668	\$ 104,258	\$ 106,928
Gross margin as % of net sales		58.9%	59.2%	59.5%	81.3%	81.4%	83.5%	83.5%	83.6%	83.6%	84.2%	84.3%	84.4%	84.4%
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 10,430	\$ 5,063	\$ 6,999	\$ 7,151	\$ 7,045	\$ 7,208	\$ 5,397	\$ 5,527	\$ 5,661	\$ 5,798

Financial Deal Terms
Total Milestones (P&L)
Total Royalties

Redacted

Operating Profits before Taxes		\$000s	\$ 20,962	\$ 16,299	\$ 14,412	\$ 66,817	\$ 74,115	\$ 106,103	\$ 108,614	\$ 111,393	\$ 113,991	\$ 85,810	\$ 88,020	\$ 90,298	\$ 92,648	
Provision for income taxes		50.0% tax rate	(10,481)	(8,149)	(7,206)	(33,409)	(37,058)	(53,051)	(54,307)	(55,697)	(56,996)	(42,905)	(44,010)	(45,149)	(46,324)	
Net Income after Taxes		\$000s		\$ 10,481	\$ 8,149	\$ 7,206	\$ 33,409	\$ 37,058	\$ 53,051	\$ 54,307	\$ 55,697	\$ 56,996	\$ 42,905	\$ 44,010	\$ 45,149	\$ 46,324
FREE CASH FLOWS ANALYSIS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Cash Flows Model																
Net income after taxes	10.0% of yty sales change		10,481	8,149	7,206	33,409	37,058	53,051	54,307	55,697	56,996	42,905	44,010	45,149	46,324	
Work capital changes			-	(121)	(126)	(5,587)	(243)	(4,303)	(338)	(347)	(358)	4,019	(288)	(297)	(305)	
Add: milestones amortized			-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtract: milestone cash flows			-	-	-	-	-	-	-	-	-	-	-	-	-	
Add: capital equipment depreciation			-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtract: capital equipment cash flows			-	-	-	-	-	-	-	-	-	-	-	-	-	
Free Cash Flows			3,632	8,517	7,569	26,444	37,437	49,371	54,592	55,972	57,260	47,546	44,344	45,475	46,641	
il Free Cash Flows			\$ 3,669	\$ -	\$ -	\$ 3,550	\$ 2,611	\$ 4,685	\$ 4,800	\$ 4,951	\$ 5,106	\$ 3,663	\$ 3,750	\$ 3,838	\$ 3,930	

RETURN ON INVESTMENT		discounted \$000s
Purdue+Rhodes discounted free cash flows with formulation, 2013-2025 (@12%)		220,470
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-59,017		
Incremental discounted free cash flows provided by formulation 161,453		

il discounted free cash flows (@12% discount rate) 21,888

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ASSUMPTIONS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market														
Total IMS morphine BID market	in bottles, 000s	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0% p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles														
Purdue brand (2013, fixed)	25 in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic		34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0% during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%	64.8%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg														
Purdue brand net price	3.0% per bottle, growth yty	\$ 506.71	\$ 521.91	\$ 537.57	\$ 553.69	\$ 570.30	\$ 587.41	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price; C	3.4% <= % of WAC => TR	\$ 17.13	\$ 17.13	\$ 17.13	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68	\$ 27.68
Cost of Goods (Unit)														
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, \$000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	55,616	56,724	83,186	84,844	86,536	88,269	62,626	63,874	65,147	66,446
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 68,644	\$ 70,411	\$ 97,567	\$ 99,952	\$ 102,407	\$ 104,944	\$ 80,143	\$ 82,276	\$ 84,479	\$ 86,755
Cost of Goods														
Purdue brand	\$000s	219	224	228	233	237	242	247	252	257	262	267	273	278
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 19,043	\$ 19,422	\$ 28,377	\$ 28,943	\$ 29,520	\$ 30,111	\$ 21,443	\$ 21,871	\$ 22,307	\$ 22,751
Gross Margin														
Purdue brand	\$000s	11,016	11,579	12,173	12,796	13,449	14,139	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	36,805	37,539	55,051	56,149	57,268	58,415	41,445	42,271	43,113	43,973
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s													
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 49,601	\$ 50,988	\$ 71,686	\$ 73,555	\$ 75,483	\$ 77,481	\$ 60,500	\$ 62,242	\$ 64,046	\$ 65,914
Gross margin as % of net sales		58.9%	59.2%	59.5%	72.3%	72.4%	73.5%	73.6%	73.7%	73.8%	75.5%	75.7%	75.8%	76.0%
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 8,928	\$ 3,531	\$ 4,753	\$ 4,860	\$ 4,708	\$ 4,822	\$ 3,706	\$ 3,802	\$ 3,902	\$ 4,004
Financial Deal Terms														
Total Milestones (P&L)														
Total Royalties														
Operating Profits before Taxes	\$000s	\$ 20,962	\$ 16,299	\$ 14,412	\$ 36,618	\$ 43,314	\$ 60,184	\$ 61,801	\$ 63,734	\$ 65,464	\$ 51,264	\$ 52,785	\$ 54,361	\$ 55,995
Provision for income taxes	50.0% tax rate	(10,481)	(8,149)	(7,206)	(18,309)	(21,657)	(30,092)	(30,901)	(31,867)	(32,732)	(25,632)	(26,393)	(27,181)	(27,997)
Net Income after Taxes	\$000s	\$ 10,481	\$ 8,149	\$ 7,206	\$ 18,309	\$ 21,657	\$ 30,092	\$ 30,901	\$ 31,867	\$ 32,732	\$ 25,632	\$ 26,393	\$ 27,181	\$ 27,997

Redacted

FREE CASH FLOWS ANALYSIS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model														
Net income after taxes		10,481	8,149	7,206	18,309	21,657	30,092	30,901	31,867	32,732	25,632	26,393	27,181	27,997
Work capital changes		-	(121)	(126)	(2,250)	(177)	(2,716)	(238)	(245)	(254)	2,480	(213)	(220)	(228)
Add: milestones amortized		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: milestone cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows		3,632	8,517	7,569	14,681	22,103	27,999	31,285	32,244	33,101	28,735	26,802	27,583	28,392
Free Cash Flows		\$ 3,669	\$ -	\$ -	\$ 2,716	\$ 1,760	\$ 3,063	\$ 3,135	\$ 3,209	\$ 3,286	\$ 2,454	\$ 2,516	\$ 2,580	\$ 2,646

RETURN ON INVESTMENT		discounted \$000s
Purdue+Rhodes discounted free cash flows with formulation, 2013-2025 (@12%)		135,667
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2		59,017
Incremental discounted free cash flows provided by formulation		76,650
discounted free cash flows (@12% discount rate)		15,942

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ASSUMPTIONS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market														
Total IMS morphine BID market	in bottles, 000s	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0% p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles														
Purdue brand (2013, fixed)	25 in bottles, 000s	0.4%	0.4%	0.4%	10.0%	10.0%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic		34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0% during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%	64.8%	64.8%	64.8%	55.2%	55.2%	25.0%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg														
Purdue brand net price	3.0% per bottle, growth yty	\$ 506.71	\$ 521.91	\$ 537.57	\$ 332.22	\$ 342.18	\$ 352.45	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price; C	3.4% <= % of WAC => TR	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24	\$ 35.24
Cost of Goods (Unit)														
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, \$000s	11,235	11,803	12,402	191,883	201,578	211,806	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	34,412	35,098	105,903	108,014	110,167	112,374	79,728	81,317	82,938	84,591
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 226,294	\$ 236,676	\$ 317,709	\$ 123,121	\$ 126,038	\$ 129,048	\$ 97,245	\$ 99,719	#####	#####
Cost of Goods														
Purdue brand	\$000s	219	224	228	5,711	5,825	5,943	247	252	257	262	267	273	278
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	28,135	28,696	29,268	29,854	21,181	21,603	22,034	22,473
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 24,522	\$ 25,010	\$ 34,078	\$ 28,943	\$ 29,520	\$ 30,111	\$ 21,443	\$ 21,871	\$ 22,307	\$ 22,751
Gross Margin														
Purdue brand	\$000s	11,016	11,579	12,173	186,171	195,753	205,863	14,861	15,619	16,418	17,255	18,135	19,060	20,031
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	15,601	15,912	77,768	79,318	80,899	82,519	58,546	59,713	60,904	62,118
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s						3,177	3,240	3,305	3,371	2,292	2,338	2,385	2,432
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 201,773	\$ 211,666	\$ 286,808	\$ 97,419	\$ 99,823	\$ 102,308	\$ 78,094	\$ 80,186	\$ 82,348	\$ 84,581
Gross margin as % of net sales		68.9%	59.2%	59.5%	89.2%	89.4%	90.3%	79.1%	79.2%	79.3%	80.3%	80.4%	80.5%	80.6%
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 16,023	\$ 11,013	\$ 14,659	\$ 5,903	\$ 5,772	\$ 5,907	\$ 4,476	\$ 4,587	\$ 4,702	\$ 4,820
Financial Deal Terms														
Total Milestones (P&L)														
Total Royalties														
Operating Profits before Taxes	\$000s													
		\$ 20,962	\$ 16,299	\$ 14,412	\$ 171,905	\$ 186,030	\$ 249,860	\$ 83,117	\$ 85,474	\$ 87,641	\$ 66,987	\$ 68,822	\$ 70,717	\$ 72,677
Provision for income taxes	50.0% tax rate	(10,481)	(8,149)	(7,206)	(85,953)	(93,015)	(124,930)	(41,559)	(42,737)	(43,820)	(33,493)	(34,411)	(35,359)	(36,338)
Net Income after Taxes	\$000s													
		\$ 10,481	\$ 8,149	\$ 7,206	\$ 85,953	\$ 93,015	\$ 124,930	\$ 41,559	\$ 42,737	\$ 43,820	\$ 33,493	\$ 34,411	\$ 35,359	\$ 36,338
FREE CASH FLOWS ANALYSIS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model														
Net income after taxes		10,481	8,149	7,206	85,953	93,015	124,930	41,559	42,737	43,820	33,493	34,411	35,359	36,338
Work capital changes	10.0% of yty sales change	-	(121)	(126)	(18,015)	(1,038)	(8,103)	19,459	(292)	(301)	3,180	(247)	(255)	(263)
Add: milestones amortized		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: milestone cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows		3,632	8,517	7,569	66,560	92,599	117,449	61,640	43,068	44,142	37,296	34,786	35,726	36,698
I Free Cash Flows		\$ 3,669	\$ -	\$ -	\$ 7,611	\$ 7,000	\$ 10,833	\$ 3,888	\$ 3,977	\$ 4,069	\$ 3,004	\$ 3,077	\$ 3,153	\$ 3,231
RETURN ON INVESTMENT														
		discounted \$000s												
Purdue+Rhodes discounted free cash flows with formulation, 2013-2025 (@12%)														
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2														
Incremental discounted free cash flows provided by formulation														
I discounted free cash flows (@12% discount rate)														

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ASSUMPTIONS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market													
Total IMS morphine BID market	in bottles, 000s		5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633
Growth year-to-year	2.0% p.a.		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles													
Purdue brand (2013, fixed)	25 in bottles, 000s		0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic			34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0% during 2016-2019		0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%
Other manufacturers	total to 100%		64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg													
Purdue brand net price	3.0% per bottle, growth vty		\$ 506.71	\$ 521.91	\$ 537.57	\$ 553.69	\$ 570.30	\$ 587.41	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97
Purdue/Rhodes generic dead-net price; Current	3.4% <= % of WAC =>TR	3.4%	\$ 17.13	\$ 17.13	\$ 17.13	\$ 18.72	\$ 18.72	\$ 18.72	\$ 18.72	\$ 18.72	\$ 18.72	\$ 18.72	\$ 18.72
Cost of Goods (Unit)													
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	74%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	74%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26
PROFIT AND LOSS STATEMENT	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales													
Purdue brand	net sales, \$000s		11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402
Purdue/Rhodes generic	net sales, \$000s		32,427	33,073	33,739	37,603	38,352	56,244	57,365	58,508	59,680	42,342	43,186
Total Net Sales			\$ 43,662	\$ 44,876	\$ 46,141	\$ 50,631	\$ 52,039	\$ 70,624	\$ 72,472	\$ 74,379	\$ 76,355	\$ 59,859	\$ 61,588
Cost of Goods													
Purdue brand	\$000s		219	224	228	404	412	420	429	437	446	455	464
Purdue/Rhodes generic	\$000s		17,725	18,079	18,443	32,670	33,322	48,866	49,840	50,834	51,852	36,788	37,522
Total Cost of Goods			\$ 17,945	\$ 18,302	\$ 18,671	\$ 33,074	\$ 33,734	\$ 49,287	\$ 50,269	\$ 51,271	\$ 52,298	\$ 37,243	\$ 37,986
Gross Margin													
Purdue brand	\$000s		11,016	11,579	12,173	12,624	13,274	13,960	14,679	15,434	16,228	17,062	17,938
Purdue/Rhodes generic	\$000s		14,702	14,995	15,297	4,932	5,031	7,377	7,524	7,674	7,828	5,554	5,665
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s							1,687	1,721	1,755	1,790	1,217	1,242
Total Gross Margin			\$ 25,717	\$ 26,574	\$ 27,470	\$ 17,556	\$ 18,305	\$ 23,025	\$ 23,924	\$ 24,863	\$ 25,847	\$ 23,833	\$ 24,844
Gross margin as % of net sales			58.9%	59.2%	59.5%	34.7%	35.2%	32.6%	33.0%	33.4%	33.9%	39.8%	40.3%
Operating Expenses													
General and administrative, IP supports	3.0% of net sales, \$000s		1,310	1,346	1,384	1,519	1,561	2,119	2,174	2,231	2,291	1,796	1,848
Selling and promotion (contracting)	0.5% of net sales, \$000s		218	224	231	253	260	353	362	372	382	299	308
Research and development													
Prelaunch R&D	\$ 27,384 \$000s	2016	launch	2,738	8,215	10,954	5,477						
Post-launch Regulatory support	1.0% of net sales, \$000s						506	520	706	725	744	764	599
FDA annual product fee	\$ 100 \$000s						100	100	100	100	100	100	100
Pediatric studies	\$ - \$000s						-	-	-	-	-	-	-
Epidemiology studies/Post-Launch	\$ 1,050 \$000s						263	263	263	263			
Total Operating Expenses (before financial deal terms)			\$ 4,267	\$ 9,786	\$ 12,569	\$ 8,118	\$ 2,704	\$ 3,541	\$ 3,624	\$ 3,447	\$ 3,536	\$ 2,794	\$ 2,871

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ASSUMPTIONS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market														
Total IMS morphine BID market	in bottles, 000s	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0% p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles														
Purdue brand (2013, fixed)	25 in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%								
Purdue/Rhodes generic		34.8%	34.8%	34.8%	34.8%	34.8%								
3rd-party generic, licensed by Purdue	15.0% during 2016-2019	0.0%	0.0%	0.0%	0.0%	0.0%								
Other manufacturers	total to 100%	64.8%	64.8%	64.8%	64.8%	64.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Pricing, weighted-average by mg														
Purdue brand net price	3.0% per bottle, growth yty	\$ 506.71	\$ 521.91	\$ 537.57	\$ 553.69	\$ 570.30	\$ 587.41	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price; Current	3.4% <= % of WAC =>TR	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13	\$ 17.13
Cost of Goods (Unit)														
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89	\$ 9.89
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36	\$ 9.36
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, \$000s	11,235	11,803	12,402	13,028	13,687	-	-	-	-	-	-	-	-
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	34,412	35,098	-	-	-	-	-	-	-	-
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	\$ 47,440	\$ 48,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of Goods														
Purdue brand	\$000s	219	224	228	233	237	-	-	-	-	-	-	-	-
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	18,810	19,185	-	-	-	-	-	-	-	-
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 19,043	\$ 19,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Margin														
Purdue brand	\$000s	11,016	11,579	12,173	12,796	13,449	-	-	-	-	-	-	-	-
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	15,601	15,912	-	-	-	-	-	-	-	-
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	\$ 28,397	\$ 29,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross margin as % of net sales		58.9%	59.2%	59.5%	59.9%	60.2%	#DIV/0!							
Operating Expenses														
General and administrative, IP supports	1.0% of net sales, \$000s	437	449	461	474	488	-	-	-	-	-	-	-	-
Selling and promotion (contracting)	0.5% of net sales, \$000s	218	224	231	237	244	-	-	-	-	-	-	-	-
Research and development														
Prelaunch R&D	\$000s	-	-	-	-	-	-	-	-	-	-	-	-	-
Post-launch Regulatory support	0.5% of net sales, \$000s	-	-	-	-	-	-	-	-	-	-	-	-	-
FDA annual product fee	\$ 100 \$000s	-	-	-	-	-	-	-	-	-	-	-	-	-
Pediatric studies	\$ - \$000s	-	-	-	-	-	-	-	-	-	-	-	-	-
Epidemiology studies/Post-Launch	\$000s	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses (before financial deal terms)		\$ 655	\$ 673	\$ 692	\$ 1,049	\$ 1,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financial Deal Terms														
Milestones & R&D Funding														
Upfront at signing		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #1: formulation		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #2: pivotal PK/BE study		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #3: pivotal in vivo APS		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #4: 2-year stability		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #5: tech transfer		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #6: US NDA approval		-	-	-	-	-	-	-	-	-	-	-	-	-
Milestone #7: US launch		-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Rate Impact		-	-	-	-	-	-	-	-	-	-	-	-	-
R&D funding from		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Milestones and R&D Funding (P&L)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Royalties														
Royalty on net sales	≤ \$ 150,000 \$000s @	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty on net sales	> \$ 150,000 \$000s @	-	-	-	-	-	-	-	-	-	-	-	-	-
Share 3rd-party licensees royalty	50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Royalties		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Equipment for Manufacturing														
Purchased from I	\$000s @	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchased for Wilson	\$000s @	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Equipment Depreciation		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Profits before Taxes	\$000s													
Provision for income taxes	50.0% tax rate	(12,531)	(12,950)	(13,389)	(13,674)	(14,143)	-	-	-	-	-	-	-	-
Net Income after Taxes	\$000s	\$ 12,531	\$ 12,950	\$ 13,389	\$ 13,674	\$ 14,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FREE CASH FLOWS ANALYSIS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cash Flows Model														
Net income after taxes		12,531	12,950	13,389	13,674	14,143	-	-	-	-	-	-	-	-
Work capital changes	10.0% of ytd sales change	-	(121)	(126)	(130)	(134)	4,878	-	-	-	-	-	-	-
Add: milestones amortized		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: milestone cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Add: capital equipment depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-
Subtract: capital equipment cash flows		-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows		12,531	12,829	13,262	13,544	14,009	4,878	-	-	-	-	-	-	-
Free Cash Flows		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RETURN ON INVESTMENT		discounted \$000s												
Purdue+Rhodes discounted free cash flows with formulation, 2013-2025 (@12% discount rate)														
Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2017 (@9% discount rate)		59,017												
Incremental discounted free cash flows provided by formulation		59,017												
I discounted free cash flows (@12% discount rate)		-												

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ASSUMPTIONS		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Morphine Market														
Total IMS morphine BID market	in bottles, 000s	5,443	5,551	5,663	5,776	5,891	6,010	6,129	6,252	6,377	6,504	6,633	6,766	6,901
Growth year-to-year	2.0% p.a.	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Share, by sales bottles														
Purdue brand (2013, fixed)	25 in bottles, 000s	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Purdue/Rhodes generic		34.8%	34.8%	34.8%	34.8%	34.8%	50.0%	50.0%	50.0%	50.0%	34.8%	34.8%	34.8%	34.8%
3rd-party generic, licensed by Purdue	15.0% during 2016-2019	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Other manufacturers	total to 100%	64.8%	64.8%	64.8%	64.8%	34.6%	34.6%	34.6%	34.6%	54.8%	54.8%	54.8%	54.8%	54.8%
Pricing, weighted-average by mg														
Purdue brand net price	3.0% per bottle, growth yty	\$ 506.71	\$ 521.91	\$ 537.57	\$ 553.69	\$ 570.30	\$ 587.41	\$ 605.04	\$ 623.19	\$ 641.88	\$ 661.14	\$ 680.97	\$ 701.40	\$ 722.44
Purdue/Rhodes generic dead-net price; Current	3.4% <= % of WAC => TR	5.0%	\$ 17.13	\$ 17.13	\$ 17.13	\$ 166.11	\$ 99.80	\$ 88.11	\$ 88.11	\$ 88.11	\$ 88.11	\$ 88.11	\$ 88.11	\$ 88.11
Cost of Goods (Unit)														
Purdue brand	\$ 9.89 per bottle, w/S&W 10%	74%	\$ 9.89	\$ 9.89	\$ 9.89	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17	\$ 17.17
Purdue/Rhodes generic	\$ 9.36 per bottle, w/S&W 10%	74%	\$ 9.36	\$ 9.36	\$ 9.36	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26	\$ 16.26
PROFIT AND LOSS STATEMENT		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales														
Purdue brand	net sales, \$000s	11,235	11,803	12,402	13,028	13,687	14,381	15,108	15,871	16,675	17,517	18,402	19,332	20,309
Purdue/Rhodes generic	net sales, \$000s	32,427	33,073	33,739	33,694	204,491	264,757	270,034	275,417	280,934	199,319	203,292	207,344	211,477
Total Net Sales		\$ 43,662	\$ 44,876	\$ 46,141	#####	#####	#####	#####	#####	#####	#####	#####	#####	#####
Cost of Goods														
Purdue brand	\$000s	219	224	228	404	412	420	429	437	446	455	464	473	483
Purdue/Rhodes generic	\$000s	17,725	18,079	18,443	32,670	33,322	48,866	49,840	50,834	51,852	36,788	37,522	38,269	39,032
Total Cost of Goods		\$ 17,945	\$ 18,302	\$ 18,671	\$ 33,074	\$ 33,734	\$ 49,287	\$ 50,269	\$ 51,271	\$ 52,298	\$ 37,243	\$ 37,986	\$ 38,743	\$ 39,515
Gross Margin														
Purdue brand	\$000s	11,016	11,579	12,173	12,624	13,274	13,960	14,679	15,434	16,228	17,062	17,938	18,859	19,826
Purdue/Rhodes generic	\$000s	14,702	14,995	15,297	301,024	171,169	215,891	220,194	224,583	229,082	162,531	165,770	169,074	172,444
Net sales royalty from 3rd-party generic	10.0% of net sales, \$000s													
Total Gross Margin		\$ 25,717	\$ 26,574	\$ 27,470	#####	#####	#####	#####	#####	#####	#####	#####	#####	#####
Gross margin as % of net sales		58.9%	59.2%	59.5%	90.5%	84.5%	85.2%	85.2%	85.2%	85.3%	85.5%	85.5%	85.5%	85.6%
Operating Expenses														
General and administrative, IP supports	3.0% of net sales, \$000s	1,310	1,346	1,384	10,402	6,545	8,374	8,554	8,739	8,928	6,505	6,651	6,800	6,954
Selling and promotion (contracting)	0.5% of net sales, \$000s	218	224	231	1,734	1,091	1,396	1,426	1,456	1,488	1,084	1,108	1,133	1,159
Research and development														
Prelaunch R&D	\$ 27,384 \$000s	2016	launch		2,738	8,215	10,954	5,477						
Post-launch Regulatory support	1.0% of net sales, \$000s						3,467	2,182	2,791	2,851	2,913	2,976	2,168	2,217
FDA annual product fee	\$ 100 \$000s						100	100	100	100	100	100	100	100
Pediatric studies	\$ - \$000s						-	-	-	-	-	-	-	-
Epidemiology studies/Post-Launch	\$ 1,050 \$000s						263	263	263	263				
Total Operating Expenses (before financial deal terms)		\$ 4,267	\$ 9,786	\$ 12,569	\$ 21,442	\$ 10,180	\$ 12,924	\$ 13,194	\$ 13,208	\$ 13,492	\$ 9,858	\$ 10,076	\$ 10,300	\$ 10,530

Financial Deal Terms**Milestones & R&D Funding**

Upfront at signing
 Milestone #1: formulation
 Milestone #2: pivotal PK/BE study
 Milestone #3: pivotal in vivo APS
 Milestone #4: 6-month stability
 Milestone #5: tech transfer
 Milestone #6: US NDA approval
 Milestone #7: US launch
 Exchange Rate Impact
 R&D funding from
 Total Milestones and R&D Funding (P&L)

Royalties

Royalty on net sales
 Royalty on net sales
 Share 3rd-party licensees royalty
 Total Royalties

Capital Equipment for Manufacturing

Purchased from I	\$ 3,335 \$000s @	7 yrs	476	476	476	476	476	476	-	-	-	-	-	-
Purchased for Wilson	\$ 14,665 \$000s @	7 yrs	-	-	2,095	2,095	2,095	2,095	2,095	2,095	-	-	-	-
Total Capital Equipment Depreciation			\$ 476	\$ 476	\$ 2,571	\$ 2,571	\$ 2,571	\$ 2,571	\$ 2,095	\$ 2,095	\$ -	\$ -	\$ -	\$ -

Operating Profits before Taxes

	\$000s	\$ 21,721	\$ 19,663	\$ 15,964	#####	#####	#####	#####	#####	#####	#####	#####	#####	#####
--	--------	-----------	-----------	-----------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Provision for income taxes 50.0% tax rate (10,860) (9,832) (7,982) (133,112) (78,961) (99,993) (102,183) (104,796) (107,105) (79,466) (81,261) (83,103) (84,995)

Net Income after Taxes

	\$000s	\$ 10,860	\$ 9,832	\$ 7,982	#####	#####	#####	#####	#####	#####	#####	#####	#####	#####
--	--------	-----------	----------	----------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

FREE CASH FLOWS ANALYSIS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
--	------	------	------	------	------	------	------	------	------	------	------	------	------

Cash Flows Model														
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Net income after taxes	10,860	9,832	7,982	133,112	78,961	99,993	102,183	104,796	107,105	79,466	81,261	83,103	84,995
------------------------	--------	-------	-------	---------	--------	--------	---------	---------	---------	--------	--------	--------	--------

Work capital changes	-	(121)	(126)	(30,058)	12,854	(6,096)	(600)	(615)	(632)	8,077	(486)	(498)	(511)
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Add: milestones amortized														
---------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Subtract: milestone cash flows														
--------------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Add: capital equipment depreciation														
-------------------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Subtract: capital equipment cash flows														
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Free Cash Flows														
-----------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Free Cash Flows	\$ 3,985	\$ (1,053)	\$ (1,261)	\$ 13,128	\$ 6,307	\$ 10,578	\$ 10,843	\$ 11,114	\$ 11,392	\$ 7,689	\$ 7,900	\$ 8,116	\$ 8,337
-----------------	----------	------------	------------	-----------	----------	-----------	-----------	-----------	-----------	----------	----------	----------	----------

discounted \$000s

discounted free cash flows (@12% discount rate)	442,968													
---	---------	--	--	--	--	--	--	--	--	--	--	--	--	--

Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2017 (@9% discount rate)	59,017													
---	--------	--	--	--	--	--	--	--	--	--	--	--	--	--

Incremental discounted free cash flows provided by formulation	383,951													
--	---------	--	--	--	--	--	--	--	--	--	--	--	--	--

discounted free cash flows (@12% discount rate)	46,305													
---	--------	--	--	--	--	--	--	--	--	--	--	--	--	--

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Blue Sheet

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Baker, Stuart D.

From: Barmore, Robert |
Sent: Thursday, February 28, 2013 8:07 AM
To: Mahony, Edward
Cc: Rosen, David (Sales and Marketing); Ronning, Michael
Subject: % of Rx's written with brand name in selected opioid segments

Ed,

As requested, below are the percent of Rx's written as brands in the largest genericized opioid categories. All Rx data is in thousands for this exercise and represents the 6 months ending Jan 2013. Obviously I am focusing on oral solids.

In most categories there are other 'brands' (e.g., Lorcet) which are not listed below. I am only listing products with significant numbers of total Rx's written in each group as brand (defined as >1%). In other words, any brands not listed here are not being written in a quantity that would interest you.

Despite Vicodin being an extremely well-known brand name, in the hydrocodone / APAP space, Rx's are reasonably evenly split among Vicodin, Lortab and Norco. Close to three fourths of all hycd/apap Rx's are written as one of these on the script. This surprised me – I expected more Rx's to be written as generic.

hycd/APAP	# Rx Written as brand	# Rx dispensed as brand	% written as brand and dispensed as generic	% of all hycd/APAP written as
Vicodin (all)	12769	84	99.4%	26.4%
Lortab (all)	9829	46	99.5%	20.3%
Norco	13417	36	99.7%	27.7%

As we've previously discussed, the number of IR oxycodone Rx's being written as brand is quite small compared to other categories (about 6%). As we talked about, this is related to the limited amount of promotion that was put behind Roxicodone, resulting in very little long lasting brand equity.

IR oxycodone	# Rx Written as brand	# Rx dispensed as brand	% written as brand and dispensed as generic	% of all IR oxycodone written
Roxicodone	472	11	97.7%	5.9%

For oxycodone/APAP, despite there being a number of other 'brands', only Percocet gets a significant number of Rx's written with the brand, almost 70% of all oral solid oxycodone/APAP. Note that Endocet is priced and treated as a generic by Endo.

oxycodone/APAP	# Rx Written as brand	# Rx dispensed as brand	% written as brand and dispensed as generic	% of all oxy/APAP written

Percocet	12706	99	99.3%	69.0%
----------	-------	----	-------	-------

Also discussed previously, MS-Contin is written close to 50% of the time of all morphine SR Rx's dispensed. Note that Oramorph SR is written a very small percentage of the time (<< 0.1%)

	# Rx Written as brand	# Rx dispensed as brand	% written as brand and dispensed as generic	% of all oxy/APAP written
morphine SR				
MS-Contin	1378	10	99.3%	47.8%

I have quite a few urgencies I am working on right now, but can assign someone to look into other categories if one of you is interested.

Rob

Rob Barmore | Assoc. Director, Market Research | Purdue Pharma | One Stamford Forum Stamford CT 06901
| office 203.588.7634

Blue Sheet

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**Description of Rates and Routes of abuse for ER Morphine
using National Surveillance Systems**

2/15/2013

Overview

An abuse-deterrent formulation of ER morphine appears to be an important pipeline development target from the risk management perspective because ER morphine is quite widely prescribed among ER opioids, its use is increasing, the rate of abuse of ER morphine is about average within the opioid class, and ER morphine is disproportionately abused by injecting and to a lesser extent by snorting.

1. Trends in prescription dispensing

(IMS data, 2003-2012)

- Almost 3-fold increase in dispensing of ER morphine (molecule) from 2003-2012; approximately 225,000 Rx/quarter in 2003 to 600,000 in 2012.

2. Routes of administration used by individuals entering substance abuse treatment

(NAVIPPRO System data, 2007-2010 and 2011-2012 and 2009-2012)

- Patients who abuse ER morphine use routes of administration of Injection and snorting frequently (51% inject and 29% snort), particularly injection.
- The introduction of ORF did not have a big impact on routes of administration for purposes of abuse of brand ER morphine. Among a sample of 140,496 individuals, 45.7% reported injection and 25.3% snorting of ER morphine *prior* and *after* introduction of ORF (46.0% and 25.6%) these were relatively unchanged.

3. Abuse patterns before and after introduction of ORF

(NAVIPPRO System, 2009-2012)

- Prevalence of brand (eg, Kadian, Avinza, MS Contin) ER morphine abuse among all individuals assessed by ASI-MV in pre- and post-ORF periods was 0.92% and 0.95%, respectively; when adjusted for dispensed prescriptions (SDI data) the prevalence was 0.02% and 0.02%.

4. Calls to poison control centers

(RADARS, 2009 and 2012)

- In 2009, rates of poison center calls per 1,000 unique recipients of dispensed drug (SDI data) was larger for REMS-opioids (include ER morphine) than non-REMS opioids (includes IR morphine). Specifically, rates of poison center calls per 1,000 URDD were 0.28 for ER morphine and 0.22 for IR morphine.
- In 2012, estimated trend in poison center *URDD rates* from 2009 to 3q2012 show a significant ($p=0.047$) increase over time for MS Contin; on average, rates increased by 0.57 cases per 1,000 URDD each year-quarter. Estimated trend in poison center

population rates from 2009 to 3q2012 showed a non-significant ($p=0.984$) change over time for MS Contin.

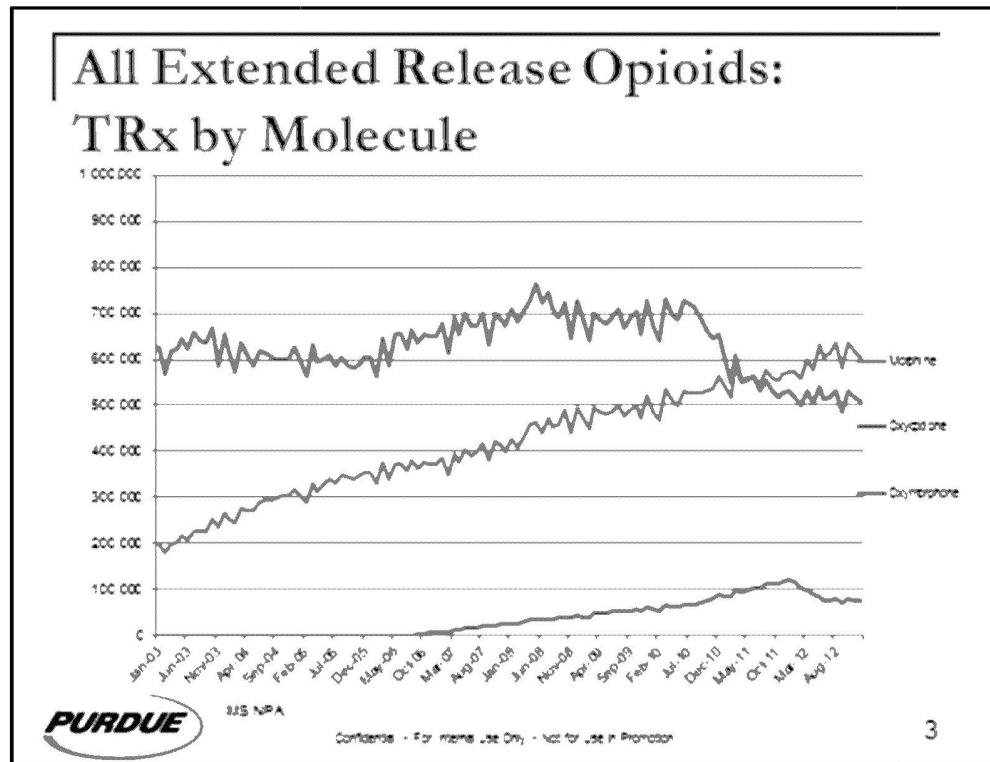
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1. Trends in prescription dispensing (IMS data. 2003-2012)

a. Almost 3-fold increase in dispensing of ER morphine (molecule) from 2003-2012; approximately 225,000 Rx/quarter in 2003 to 600,000 in 2012.

During same time period, ER oxycodone (molecule) decreased from 600,000 to 500,000 and ER oxymorphone (molecule) increased from 0 to 100,000 Rx/quarter.

Figure 1. ER Morphine prescription trends

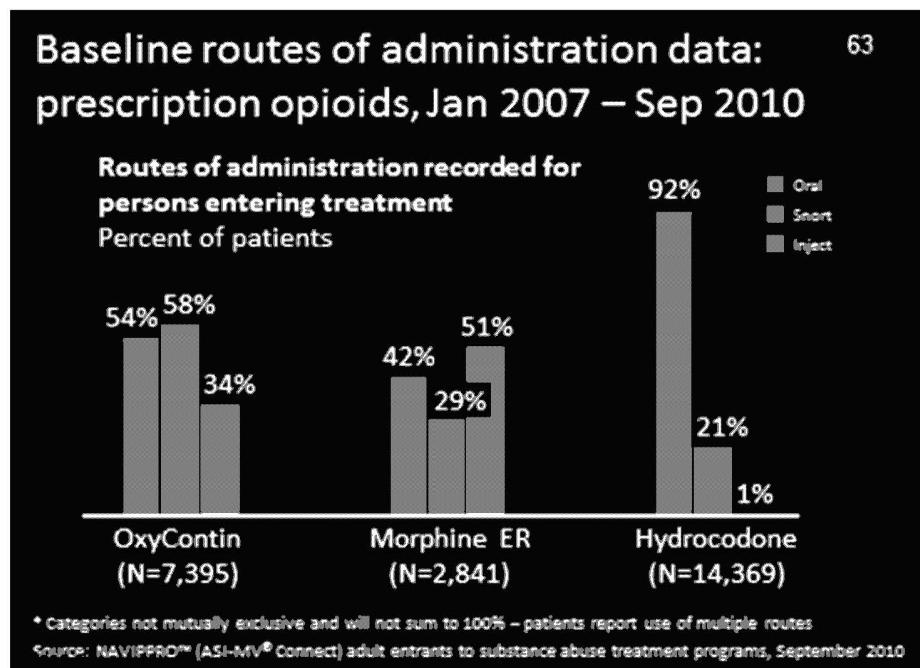


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2. Routes of administration used by abusers (NAVIPPRO System data, 2007-2010 and 2011-2012)

- a. 2841 patients entering substance abuse treatment from Jan2007-Sep2010 reported administration of ER morphine by injection (51%), snorting (29%), and orally (42%).
- b. During same time period, percentage of patients reporting inject/snort/oral administration of OxyContin (n=7395) was 34%, 58%, and 54% and for hydrocodone (n=14,369) was 1%, 21% and 92%, respectively.

Figure 2. Routes of Abuse used for ER Morphine Prior to ORF Introduction



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c. 870 patients entering substance abuse treatment from Oct2011-Sep2012 reported administration of ER morphine by injection and snorting (58% and 27%), smoking (1%), orally (38%) and other (4%).

During same time period, snorting and injecting were reported for reformulated OxyContin (29% and 20%), original OxyContin (47% and 28%), single-entity oxycodone IR (61% and 35%), hydrocodone IR combination (22% and 1%), and original oxymorphone ER (77% and 16%) respectively

Table 1. Brand ER Morphine Routes of Abuse and Numbers of Abusers by Specific Routes in the ASI-MV NAVIPPRO System of Substance Abuse Treatment Centers

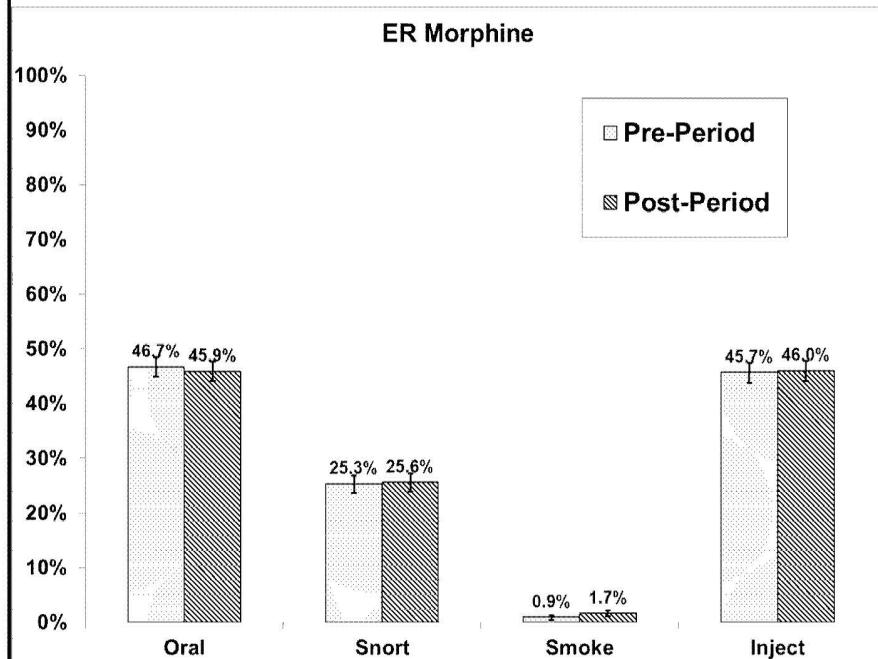
Distribution of routes of administration reported by individuals within the ASI-MV network who reported past 30-day abuse of OxyContin and comparators (10/1/2011 - 9/30/2012)												
	OxyContin (reformulated) (n = 1,732)		OxyContin (original) (n = 1,660)		Single-entity oxycodone IR (n = 1,951)		Hydrocodone IR combination (n = 6,092)		Original oxymorphone ER* (-)		Morphine ER (n = 870)	
	n	%	n	%	n	%	n	%	n	%	n	%
Oral	1,262	72.9	965	58.1	818	41.9	5,559	91.3	--	26.3	330	37.9
Snort	510	29.4	779	46.9	1,186	60.8	1,348	22.1	--	76.7	237	27.2
Smoke	80	4.6	171	10.3	171	8.8	66	1.1	--	1.8	10	1.1
Inject	354	20.4	460	27.7	682	35.0	59	1.0	--	16.2	505	58.0
Other	50	2.9	66	4.0	22	1.1	164	2.7	--	0.9	34	3.9

Note that categories for route of administration in the above table are not mutually exclusive and do not sum to 100%.
 *Percentages for the routes of administration categories for original extended release oxymorphone are presented as the quarterly average for the baseline period.

d. A sentinel survey sample of 140,496 individuals entering substance abuse treatment from Jun2009 to Mar2012 indicated that ER morphine was administered by injection and snorting *prior* to introduction of ORF (45.7% and 25.3%, respectively; Jun2009-8Aug2010), and *after* introduction of ORF (46.0% and 25.6%, respectively; 9Aug-Mar2012).

Figure 3. Routes of Abuse used for Brand ER Morphine Before Versus After ORF Introduction

Figure 5. Percent of people abusing ER morphine via specific ROA* before and after introduction of ORF



*Percents do not add up to 100% because respondents can report multiple routes of administration.

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3. Abuse patterns before and after introduction of ORF (NAVIPPRO System, 2009-2012)

a. Prevalence of ER morphine abuse among all individuals assessed by ASI-MV in pre- and post-ORF periods was 0.92% and 0.95%, respectively; when adjusted for dispensed prescriptions (SDI data) the prevalence was 0.02% and 0.02%.

During same period, pre- and post-ORF prevalence of ER oxycodone abuse was 4.06% and 2.41%, respectively (0.07 and 0.05 when prescription adjusted), and prevalence of ER oxymorphone abuse was 0.32% and 1.11%, respectively (0.06% and 0.12% when prescription adjusted).

Table 2. Changes in abuse patterns of Brand ER Morphine, ER oxycodone and ER Oxymorphone before and after introduction of ORF in the ASI-MV NAVIPPRO System

	Before period* (%)	After period† (%)	Pre-post relative change††	95% CI	P-Value
Prevalence of product-specific abuse among all individuals assessed by ASI-MV in pre- and post-periods					
1a. ER oxycodone	4.06	2.41	-41	-44	-37
1a.1. Oral	2.15	1.79	-17	-23	-10
1a.2. Non-oral	3.03	1.02	-66	-69	-63
1b. ER oxymorphone	0.32	1.11	+246	+199	+301
1c. Brand ER morphine	0.92	0.95	+2	-8	+14
Prescription-adjusted[‡] prevalence rate of product-specific abuse among all individuals assessed by ASI-MV					
2a. ER oxycodone	0.07	0.05	-33	-37	-29
2b. ER oxymorphone	0.06	0.12	+111	+82	+144
2c. Brand ER morphine	0.02	0.02	+0.9	-10	+12
Prevalence of abuse among prescription opioid abusers assessed by ASI-MV in pre- and post-periods					
3a. ER oxycodone	23.69	12.12	-49	-52	-46
3a.1. Oral	12.44	9.03	-27	-32	-22
3a.2. Non-oral	17.83	5.15	-71	-73	-69
3b. ER oxymorphone	1.87	5.54	+196	+156	+242
3c. Brand ER morphine	5.37	4.7	-12	-21	-2
Prescription-adjusted[‡] prevalence rate of abuse among prescription opioid abusers assessed by ASI-MV					
4a. ER oxycodone	0.42	0.24	-42	-45	-39
4b. ER oxymorphone	0.33	0.60	+80	+56	+109
4c. Brand ER morphine	0.12	0.10	-13	-22	-3

*Before period = June 2009 through August 8, 2010

† After period = August 9, 2010 through March 31, 2012 Only ORF (and not OC) is included in this column.

†† Pre-post relative change reflects the percent change in percent abuse from the pre to post-introduction period.

‡ Prescription-adjusted prevalence defined as prevalence of past 30-day abuse per 10,000 prescriptions dispensed per month

1. Rates of Call to poison control centers for ER Morphine, IR Morphine and Other opioids (RADARS, 2009)

- a. In 2009, rates of poison center calls per 1,000 unique recipients of dispensed drug (SDI data) was larger for REMS-opioids (include ER morphine) than non-REMS opioids (includes IR morphine). Similar trends were observed for other RADARS studies including College Survey, Drug Diversion, Opioid Treatment, and SKIP.
- b. In 2009, rates of poison center calls per 1,000 unique recipients of dispensed drug (SDI data) were 0.28 for ER morphine and 0.22 for IR morphine.

During same period, rates of poison center calls per 1,000 URDD were 0.32 for fentanyl transdermal, 0.56 for ER oxycodone, and 1.50 for methadone.

Table 3. Rates of Intentional Exposures per 1,000 unique individuals dispensed drug (URRDs) in the RADARS System in 2009 by ER and IR Formulations

Table 1. RADARS® System Program Rates per 1,000 Quarterly URDD: 2009

Drug Class	NON-REMS Opioids	REMS Opioids	p-value
TOTAL BUPRENORPHINE	0.88	.	
TOTAL FENTANYL	0.27	0.32	0.3772
TOTAL HYDROCODONE	0.23	.	
TOTAL HYDROMORPHONE	0.41	.	
TOTAL METHADONE	.	1.50	
TOTAL MORPHINE	0.22	0.28	0.3201
TOTAL OXYCODONE	0.22	0.56	<0.0001
TOTAL TRAMADOL	0.37	.	
POOLED RATE	0.28	0.60	

Oxymorphone data are not presented.

REMS Opioids: Methadone, extended release hydromorphone once launched, extended release morphine, extended-release oxycodone, extended-release oxymorphone, transdermal fentanyl.

Non-REMS Opioids: Buprenorphine, hydrocodone, tramadol, immediate-release hydromorphone, immediate-release morphine, immediate-release oxycodone, immediate-release oxymorphone, transbuccal fentanyl, fentanyl injectable products.

Oxymorphone data are not presented.

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2. Calls to poison control centers (RADARS, 2012)

a. Relative Rates of Exposures for Morphine and other Opioids

Figure 4. Poison Center Intentional Exposure Rates (per 100,000 Population) Over Time – All RADARS System Opioids

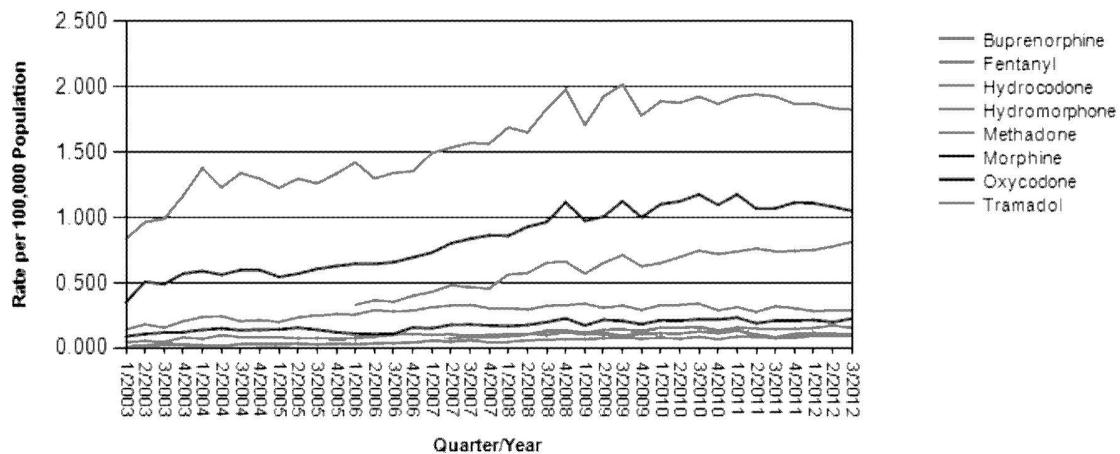
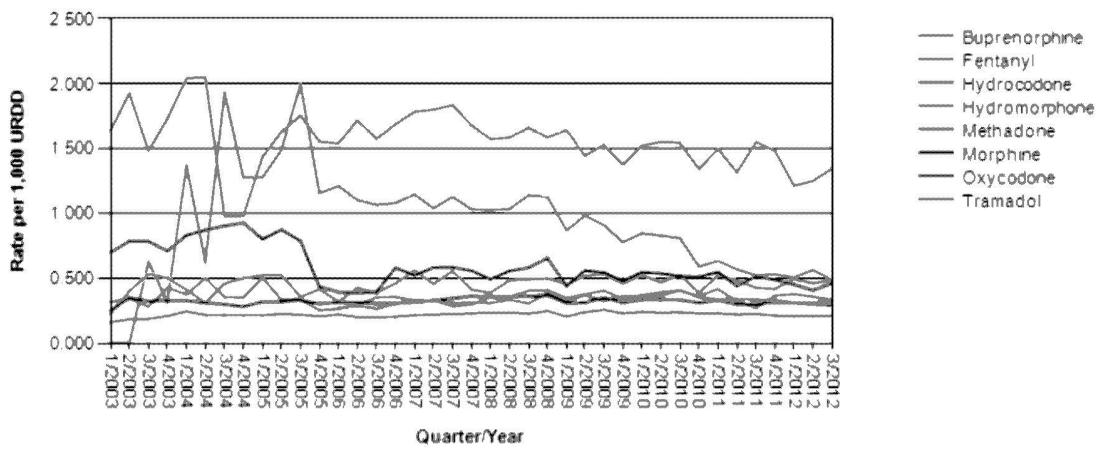


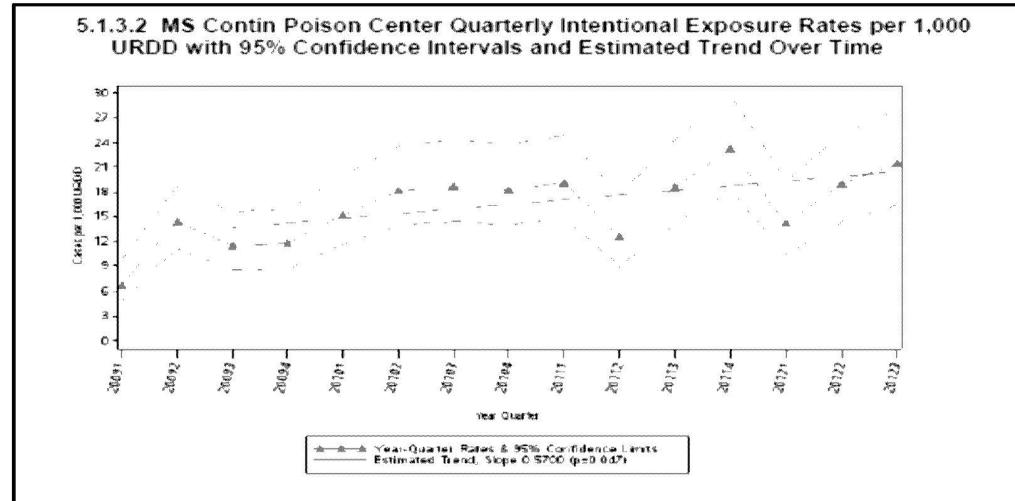
Figure 5. Poison Center Intentional Exposure Rates (per 1,000 URDD) Over Time – All RADARS System Opioids



b. Estimated trend in poison center URDD rates from 2009 to 3q2012 show a significant ($p=0.047$) increase over time for MS Contin; on average, rates increased by 0.57 cases per 1,000 URDD each year-quarter.

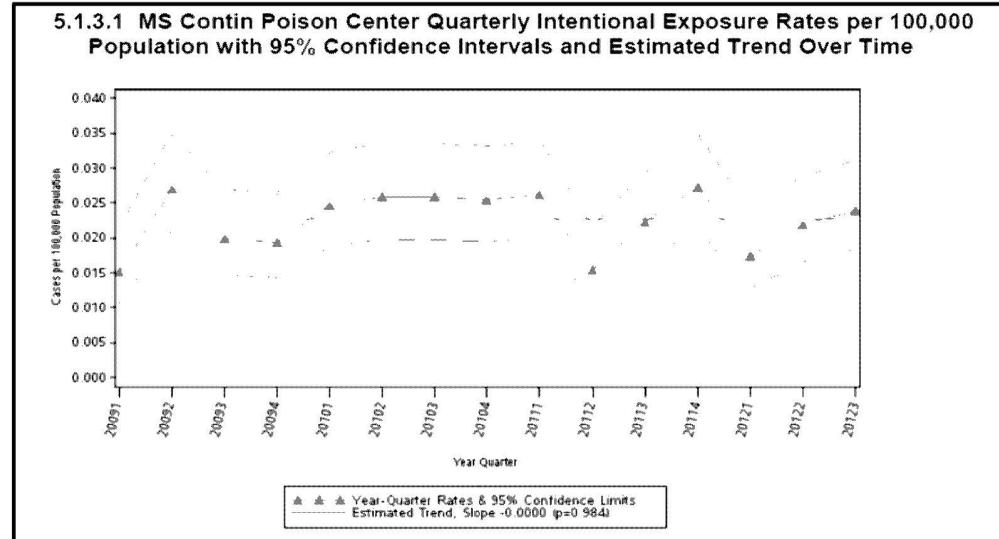
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Figure 6. Poison Center Intentional Exposure Rates (per 1,000 URDD) Over Time for MS Contin



c. Estimated trend in poison center population rates from 2009 to 3q2012 show a non-significant ($p=0.984$) change over time for MS Contin.

Figure 7. Poison Center Intentional Exposure Rates (per 100,000 population) Over Time for MS Contin



TAB 6

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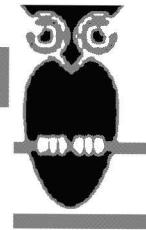
Quarterly Compliance Report to the Board of Directors 1Q2013

Bert Weinstein
Vice President, Corporate Compliance
April 10, 2013



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Corporate Integrity Agreement - Closed



Purdue's CIA Officially Closed

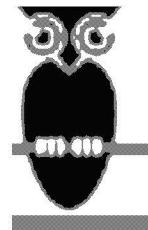
From Letter dated January 24th, Office of Inspector General, HHS:

We have reviewed Purdue Pharma LP's (Purdue's) Fifth Annual Report and the correspondence and information provided subsequent to Purdue's submission of the Fifth Annual Report. Based on our review of all of this information, it appears that Purdue was in compliance with the terms of the Corporate Integrity Agreement (CIA) between the Office of Inspector General (OIG) of the Department of Health and Human Services and Purdue during the fifth annual reporting period. This letter confirms that we have no further questions regarding Purdue's Fifth Annual Report and that the term of the Purdue CIA has now concluded.



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Key Compliance Issues Seen in Q1



Field Sales Call Note Reviews

- Monthly call note reviews now being completed on a 30 day cycle
- Reviewing 10% of approx. 90K call notes generated monthly
- Faster spotting of issues, e.g.,
 - Pro-active discussion of OxyContin reformulation (not permitted)
 - Quality of life / implied superiority claims (not permitted)

Sales Discipline Committee

- Completing call note reviews this fast has enhanced effectiveness of Sales discipline process
- Corporate Compliance has been able to spot trends and provide remediation more proactively and effectively



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Key Compliance Issues Seen in Q1

Speaker Programs – “Monitoring Forms”

- Issue – Speaker Monitoring Forms are critical to proper program compliance - not being submitted in a timely fashion
- Solution – Ongoing monthly monitoring by Corporate Compliance along with Sales Management training on requirements and impact- no longer an issue

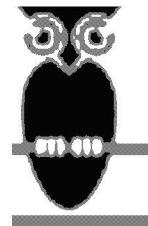
Field Contact Reports

- Issue – Managers not completing documented work sessions every 90 days – SOP requirement
- Solution – As part of revised Sales SOP, new work session requirement changed from 8 days annually to 2 days per quarter- will be remedied with monthly monitoring and reporting



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“Priority Risks” Addressing in 2013



Price Reporting – Government price and rebate reporting accurate and timely - with increased focus on enforcement

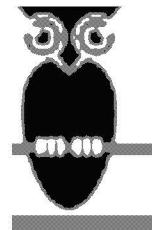
Site Monitoring - Study Manager review of Monitoring Reports and clinical trial oversight

- There are thousands of clinical trial sites, with consequent multiplication of risk; we must have accuracy and integrity of data for NDA filings
- Drug diversion issues at clinical trial sites - need to be remediated



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“Priority Risks” Addressing in 2013



Managed Care

- Increased government scrutiny
- Negotiations with Managed Care Organizations
- Managed Care promotional activities that touch on government lives

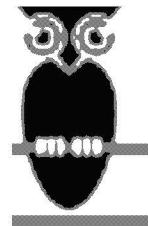
Appropriate Promotion

- Intermezzo promotion by ASF and ISF
 - Risk – promotion of co-morbid conditions
 - Risk - FDA guidance on zolpidem and gender dosing
- OxyContin promotion, especially with regard to abuse potential
 - Risk – Comparative statements: i.e., reformulation vs. generic, reformulation vs. original
- OxyContin forthcoming “label change”



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“Priority Risks” Addressing in 2013



Sunshine Act - Maintaining competitive advantage and remaining compliant

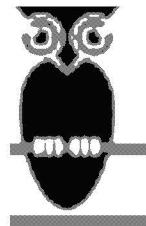
- Final regulations pose special challenges in capturing clinical data
- How good are our data sources?
- Data mining by competitors and consultants of information made public

Quality Investigations

- Risk in length of time to complete Quality investigations
- Need to incorporate learnings from Quality investigations and implement best practices. Need clear accountability
- New Compliance Scorecard element tracks and scores time to close investigations



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Sunshine Act - Summary

To Provide public reporting on spend by pharma and device manufacturers on physicians and teaching hospitals

Why? To allow patients to make decisions about who they use as their provider

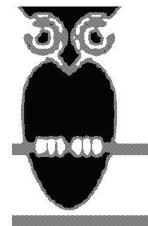
What? Any payment or transfer of value - anything with “discernible economic value”

Upcoming Dates

- **August 1, 2013** – begin tracking transfers of value
- **March 31, 2014** – first disclosure report is due to CMS
- **September 30, 2014** – CMS will make information publicly available through a searchable website
- Annual reporting thereafter



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Scope of Sunshine Act Payments

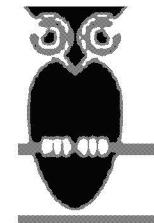
Examples of payments/other transfers of value to be reported:

- Meals during office visits or speaker programs
- “Educational” items and materials, if not for patient use
- Consulting fees and related expenses (inc. travel, lodging, meals)
- Speaker fees (inc. travel, lodging, meals)
- Educational and research grants
- Payments and in-kind items related to research and development activities (but with delayed publication provision for payments related to products in development)
- Exhibits, Conventions, Product Theaters



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Sunshine Act Data Requirements



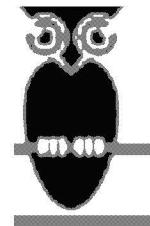
For each Physician or Teaching Hospital with spend, must report the following information (not exhaustive list):

- First Name, Last Name, Middle Initial, suffix
- Primary business address
- Specialty
- National Provider Identifier #
- Amount of payment
- Dates payment made
- Form of payment
- State License Number
- State(s) of Licensure
- Physician designation (e.g., MD, DO)
- Nature and purpose of payment
- Name of the product(s) to which the payment relates
- NDC number(s) for each product to which the payment relates



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Sunshine Act Data Requirements



A new data collection system has been built to aggregate all Purdue data required for Sunshine Act and State law reporting requirements:



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Further Sunshine Act Provisions

Dispute Resolution

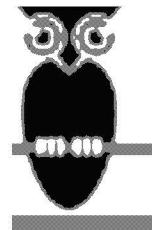
- Covered recipients have opportunity to review data at least 45 days before data made public
- Covered recipients may initiate a dispute
- If disputed, manufacturer and the recipient must attempt to resolve the dispute, within 15 days
- If dispute not resolved, CMS will post data as reported by the manufacturer and note it is disputed

Civil Monetary Penalties

Manufacturers are subject to civil money penalties for failing timely to accurately and completely report data



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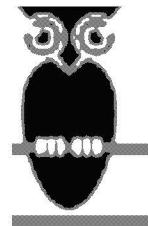


FYI BACKUP SLIDE



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PUBLICLY FILED PER STIPULATION [ECF 2140]



Compliance Charter Amendment

FYI – The Compliance Department activities are carried out, in part, pursuant to a 2005 Board-approved Charter. The Charter was amended in 2007 to account for certain CIA requirements. With closure of the CIA, we have broadened the activities of Purdue's Compliance Committee, and modified the membership from the CIA-required membership to account for the new role of the Committee.



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